TRANSNATIONAL CORPORATIONS, STATE AND CLASSES IN TURKEY: THE RISE OF NEW FORMS OF DEPENDENT DEVELOPMENT IN GLOBAL AUTOMOTIVE VALUE CHAINS

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Thesis submitted in partial fulfilment of the requirements for the degree of Doctor of Philosophy in International Relations

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September 2017

DECLARATION

I hereby declare that this thesis has not been and will not be, submitted in whole or in part to another University for the award of any other degree.

Signature: ……..

UNIVERSITY OF SUSSEX

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Doctor of Philosophy in International Relations

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Abstract

Is dependency theory dead as an explanation of underdevelopment in today's global economy? Has the rise of new economic powerhouses and an increasing share of higher value-added manufacturing in the global south cast the notions of subordination, peripherality and dependence into the dustbin of history? Today, a broad consensus answers these questions in the affirmative. In stark contrast to this commonly-held contention in the current development discourse, this study aims to bring these notions back to critical development studies by offering an up-to-date and analytically valid conceptualisation of dependency in today's global south. Taking the historical-structural dependency perspective as a point of departure, the study revisits and builds upon the notion of dependent development by drawing on a set of conceptual insights derived from Schumpeter's theory of innovation, Global Value Chain analyses and a class-relational articulation of the developmental state. In doing so, the study shows how core-like and periphery-like activities have clustered in time and space, leading to polarisation in today's global economy, and how new forms of dependency have been spatially re-produced along hierarchically-structured global value chains through the interplay of transnational corporations, states and classes. Based on this framework, the study then explores the limits and prospects of capitalist development and its implications for wider society in today's global south. With occasional references to cases of dependent development in Latin America and East Asia, the study examines changing dynamics and rise of new forms of dependency relations in Turkey and the Turkish automotive industry. Adding a sense of change and movement, the study shows how dependent nature of Turkish capitalist development has concretised and taken new forms along automotive value chains through shifting configurations of class forces and state-society relations, and their manifold interactions with the world economy, from the early years of modern Turkey to the present.

Acknowledgements

Writing this PhD thesis has been a long and challenging, but nevertheless pleasant and rewarding, experience. There are many people, institutions and companions that I am obliged to acknowledge for their assistance and support of the completion of this project. First and foremost, I owe a profound debt of gratitude to my best companion, Maalik ul Mulk, who has accompanied me all my life and made life easier with his extreme kindness, mercy and forgiveness. I would also like to convey my deepest gratitude to my supervisors, Dr Kevin Gray and Dr Andreas Antoniades. Without their constructive insights, comments and encouragement, this project would simply not have been possible. They tirelessly helped me improve this thesis and have always been generous with their time whenever I needed. Another person to whom I would like to extend my thanks is Prof. Benjamin Selwyn, who reviewed the research outline and offered valuable comments and suggestions at the very early stages of this project.

Completing a PhD is financially demanding, given the cost burden of tuition fees and the maintenance needed to support myself during my studies. Through the various stages of my research and writing, the Turkish Ministry of Education provided me a scholarship for my fees and maintenance needs. I gratefully acknowledge their funding. Without the financial backing of Turkey, it would have been a great challenge to pursue my graduate studies abroad.

This type of research would not be possible without the collaboration and support of all those who helped me during my fieldwork in Turkey. It is impossible to name all CEOs, managers, business representatives, bureaucrats, workers and union activists that I met and interviewed for this study. I would like to extend my thanks to all for generously devoting their time and sharing their ideas and experiences with me. At this juncture, I am particularly grateful to Alper Kanca, Cahin Doğan, Orhan Emir, Mehmet Attila, Sercan Hatipoğlu, Dr Ayşe Cebeci, Fatih Cansabuncu and many other anonymous people for their help in establishing contacts and arranging interviews.

Last but not least, a special word of thanks goes to my family and my wife, who never lost their confidence in me, and never ceased to encourage me in this difficult endeavour. My dad, Namık Celal, my mum, Türkan, and my sister, Elif, have generously provided support and guidance all through my life, and have given priority to my thesis above

anything else. I can never thank them enough for their generosity. My beloved wife Ayça's support and encouragement has been also unmatched. When my life in the UK became emotionally unbearable she was the one who shared the burden of it most and extended her everlasting support, understanding and love. As a colleague of mine, she has also provided technical support in gathering and processing the research data, given her competency in Excel and SPSS. Indeed, there is no way to express my appreciation for her as a spouse and helpmate.

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LIST OF ABBREVIATIONS

ASKON	Anatolian Business Association
BRICs	Brazil, Russia, India, China and South Africa
BRSA	Banking Regulation and Supervision Agency
CBAs	Collective Bargaining Agreements
CBU	Completely Built-up
CKD	Completely Knocked-down
DEİK	Foreign Economic Relations Board
DİSK	Confederation of Revolutionary Labor Unions
DP	Democratic Party
ECLA	Economic Commission for Latin America
EOI	Export Oriented Industrialisation
EU	European Union
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
GCCs	Global Commodity Chains
GDP	Gross Domestic Product
GPNs	Global Production Networks
GVCs	Global Value Chains
IAC	Investment Advisory Council
IFIs	International Financial Institutions
IMF	International Monetary Fund
IRAs	Independent Regulatory Agencies
ISI	Import Substitution Industrialisation
IŞHAD	Business Life Cooperation Association
JDP	Justice and Development Party
MERCOSUR	Southern Cone Common Market
MESS	Turkish Employers' Association of Metal Industries
MITI	Ministry of International Trade and Industry
MLP	Mother Land Party
MÜSİAD	Independent Industrialists and Businessmen's Association
NAFTA	North American Free Trade Agreement

NICs	Newly Industrialised Countries
NSP	National Salvation Party
OECD	Organization for Economic Cooperation and Development
OEEC	Organisation for European Economic Co-operation
OIDs	Organized Industrial Districts
OSD	Automotive Manufacturers Association of Turkey
OYAK	Turkish Armed Forces Assistance and Pension Fund
RPP	Republican People's Party
SMEs	Small and Medium-sized Enterprises
TAYSAD	Association of Automotive Parts and Components Manufacturers
TIDB	Turkish Industrial Development Bank
TIM	Council of Exporters of Turkey
TNCs	Transnational Corporations
TOBB	Union of Chambers of Commerce Industry and Commodity Exchanges
TOFAŞ	Turkish Automotive Factory Inc.
TPP	True Path Party
TÜRKONFED	Turkish Enterprise and Business Confederation
TÜSİAD	Turkish Industry and Business Association
UNDP	United Nations Development Programme
WB	World Bank
WP	Welfare Party
YASED	International Investors Association
YOİKK	Coordination Council for the Improvement of Investment Environment

CHAPTER 1

Introduction

1.1 Research Problematique

Over the last 30 years or so, a substantial geographical shift has taken place in the world economic map, with the growth of manufacturing powerhouses, first in the newly industrialised countries of East Asia and then in the rest of the developing world such as China, Brazil, India, Mexico, Turkey, Malaysia and Indonesia. There is a growing perception that the emergence of new economic powers has already altered the geo-economic landscape of power and division of labour in the world. The global spread of production over the past 30 years has appeared to bring with it a 'developmental' rise of the south and a transformation through convergence in the sense of catching up with the 'developed' world. The emerging countries' share of GDP, manufacturing output, exports and inward FDI in the global economy has increased on a substantial level, representing a structural change of historical significance (Dickens, 2011; Kiely, 2015). Today, through dense networks of global production and trade, a greater number of countries in the global south have increased the role of manufacturing-exports in their economies, diversified the range of goods they produce and risen to the ranks of world-class competitors in higher value-added products.

Thus, there is much talk these days that the world's economic centre of gravity has been moving from the advanced economies of North America and Europe to the east and south, indicating some kind of convergence in the international economic order (OECD, 2010; Pape, 2009; Khanna 2009). The force of these arguments intensified in the 2000s with the rise of BRICs and BRIC-like countries such as Mexico, Turkey and Indonesia as key drivers of global economic growth. Price Waterhouse Coopers (PWCs) predicts that by 2050 the E7 group of emerging economies, namely the BRICs plus Mexico, Turkey and Indonesia, will be around 50% larger than the current G7 countries (Hawksworth and Cookson, 2008, p.2). Albeit not for the first time, the rise and high rates of economic projections of BRICs and BRIC-like countries have given weight to arguments that the global south has emerged as a real economic and political power,

that has moved beyond dependence on erstwhile advanced countries to form a new centre of economic power in its own rights (Altman, 2009; Yeyati and Williams, 2012).

Therefore, both on the terrain of intellectual currents and within policy circles, the idea of dependency and peripherality has once again come under criticism from various quarters as one that is a product of the past century. Emphasis has increasingly been given to the integrated nature of the global division of labour and the dissemination of industrial, technological and financial capabilities that the emerging economies have wielded over the last few decades. This rhetoric has been even exemplified by Ben Bernanke (2006), two terms Chairman of the Federal Reserve, who states that "the traditional distinction between the core and the periphery is becoming increasingly less relevant, as the mature industrial economies and the emerging-market economies become more integrated and interdependent". Seen in this way, the rise of the global south, together with the epoch-shifting transformation in the world economy, has revived the contentions that we live in a world of convergence that spreads opportunities, wealth and capabilities globally across borders, and therefore stands at odds with ideas of peripherality and dependency.

However, despite the recent popularity and appeal of these contentions, there is ground for the more sceptical view that the rise of the global south has been exaggerated and is limited in developmental, technological and geopolitical terms.[1] Indeed, the rise of global south, more recently in the BRICs and BRIC-like countries in particular, clearly has some basis in reality. In the last one and half decades, countries such as Brazil, India, Mexico, Turkey and above all China have experienced high rates of growth, and at the same time their share of global output has risen substantially (Kiely, 2015). It could be claimed that the south has converged with and even overtaken the north in terms of industrialisation, share of global output, economic growth and overall GDP, leading to progress in many dimensions of human development. However, as many counter-argue (see e.g. Arrighi et al. 2003; Abbott, 2009; Fischer, 2015; Kiely, 2015), this does not necessarily mean that the divide and socio-spatial disparities between south and north have dissipated, or that the lagging and subordination of the former have been replaced with a process of economic/technological upgrading and overall

[1] For some pessimistic and sceptical accounts of the rise of the global south, BRICs and BRIC-like countries, see Arrighi et al. (2003); Schwartz (2010); Bond and Garcia (2015); Kiely (2015) and the special issue of *Third World Quarterly* with the editorial introduction by Gray and Murphy (2013).

convergence similar to Germany in the nineteenth century or Japan, South Korea and Taiwan in the twentieth century.

There is much ground that despite monumental changes in global production and the diffusion of industrial, technological and financial capabilities, the rise of the global south has not been accompanied by convergence in levels of per capital income, and the lagging has not dissipated in the realms most significant to wealth and power, such as technology, innovation and high-value added activities in global production (Fischer, 2015; Kiely, 2015). As many argue (Doner, 2016; Schwartz, 2010; Kiely, 2015), these countries have experienced difficulties in upgrading their economies and moving into high value-added products and activities, with high levels of efficiency, local input and developmental outcomes for the wider society. Then, the question to be asked is to what extent the recently emerging countries have upgraded in economic and social terms, and whether this has lessened the subordination, peripherality and dependence of these economies in the current international economic order.

Whilst a broad consensus replies to this question in the affirmative, some recent studies suggest a resounding 'no'. In stark contrast to optimism emanating from different versions of the global convergence thesis, a number of studies (e.g. Arrighi et al.2003; Kay and Gwynne, 2004; Abbott, 2009; Schwartz, 2010; Fischer, 2015; Kiely, 2015) have revealed that despite the rise of the south, the polarizing tendency of the world economy is still at work producing and reproducing income gaps and economic/technological divergences between the developed and developing world, thus giving currency to the central tenets of the dependency perspective. One way or another, these studies have echoed the ideas first postulated by the dependency school, particularly by the strand associated with the Cardosian version of dependency thinking, which conceives dependency less as a grand theory of underdevelopment and more a specific condition of late capitalist development. In so doing, these studies emphasise the continued relevance of the dependency perspective. However, none of these works has provided a systematic understanding or operational framework of how dependency and development works under the new dynamics of global capitalism.

This study seeks to fill that gap in the current literature by developing an up-to-date and analytically operational framework of the new form of dependent development under the dynamics of contemporary globalization. To that end, the present study reveals that subordination, hierarchy and dependency relations have not faded away with the rise of

southern countries and contemporary globalisation, but rather have taken new forms and become an issue that needs to be addressed both theoretically and empirically. Rather than reasserting superseded contentions and orthodoxies of dependency theory, and uncritically embracing the latest approaches in development discourse, this study in fact calls for a renewal of the critical spirit propounded by a particular variant of the dependency approach called *historical-structural dependency analysis*, which conceives dependency as a concrete situation that varies over time and from country to country. It is argued that historical-structural dependency analysis offers basilar conceptual tools which to a greater extent let us comprehend current mechanisms of dependency through a system of global class relations, changing state-society complexes and the historical specificities of today's global world.

Having conceived dependency as a concrete situation, and taking sides with historical-structural dependency analysis, the study revisits and builds on the notion of dependent development by drawing on a set of conceptual insights from the Schumpeterian theory of innovation, Global Value Chain analyses and class-relational articulation of the developmental state. In doing so, the study aims to move beyond the theoretical impasse surrounding dependency analyses, and examine new dynamics of dependent development in relation to recent shifts in the global economy. The study admits that the world economy has undergone a far-reaching transformation towards a more integrated and coordinated global division of labour in production and trade, which renders a territorially-bounded and structurally-determined understanding of core-periphery relations increasingly elusory. Rather, the study conceives the current process of global stratification and economic disparities through both global class relations and socio-spatial reconfiguration of the core-periphery model. Drawing on Schumpeter's theory of innovation the proposed framework reveals that core-like and periphery-like activities have not only clustered in time but also in space, leading to polarisation in the world economy and a socio-spatial reconfiguration of core-periphery relations.

The study then broadens the proposed framework by elucidating how and in what ways the current process of global stratification and re-configuration of the core-periphery model has given rise to new forms of dependency relations along hierarchically structured global value chains. In so doing, the study operationalises the notion of dependency relations via the current utility of value chain metaphor and analysis, which are largely dominated by leading TNCs, but at the same time argued to be conditioned

in a socio-spatial terms by ongoing interplay between TNCs, the state, local bourgeoisie and labouring classes. Nevertheless, despite the admitted utility of value chain analysis, the study concurrently argues that an unmediated adherence and incorporation of value chain analysis is likely to culminate in firm-centric, techno-industrial and market-based conceptions of global production and dependency relations.

Thus, the study suggests putting the matter of upgrading and dependency along value chains into a wider socio-political, institutional and class-relational context. Deriving insights from a class-relational articulation of the developmental state, the study demonstrates why and how economic, technological and social upgrading along value chains takes place within particular entities or national economies but not in others, and what roles state-society complexes, class relations and institutional settings play in this respect. While building such an analytical framework, the study also refers to cases of dependent development in Latin American and East Asian countries. The main endeavour herein is not to provide anything close to a comprehensive comparative analysis of these two regions, given their enormous diversity with respect to population sizes, resource endowments, geopolitical dynamics, political regimes and class structures. Instead, from a theoretical point of view, the modest intention is to derive insights with regard to divergent patterns of dependency and development in the global periphery. Although the Latin American and East Asian cases by no means cover the entire spectrum of differentiating patterns of capitalist development in the wider global periphery, they provide a general but nevertheless useful comparative ground to confront any case with the paradigmatic and deviant cases of dependent development they respectively offer.

1.2 The Significance of Turkey as a Case

Drawing on this comprehensive analytical framework, this study seeks to revisit the question of dependency and development in today's global world by assessing the nature of Turkey's rapid economic growth and integration into the global economy since the 1980s, and more particularly in the post-2001 period. It is argued that Turkey constitutes a critical case for studying how the current dynamics of the global economy and transnational capitalist classes have produced and reproduced new forms of dependent development through their interplay with the state, local bourgeoisies and social classes within a particular social-formation. Akin to the BRICs and other emerging countries, Turkey has gone through a substantial structural and industrial

transformation in the last few decades, after having implemented import-substituting and state-led development for about five decades, with a short interval in the early 1950s. Although the initial surge in industrialisation and structural transformation took place during the 1960s and 1970s period, constituting the backbone of the present industrial structure, Turkey was still exhibiting the characteristics of a resource-based, agrarian economy, with almost 65% of exports consisting of primary products in the early 1980s (Kaya, 2008, p.168)

In this respect, the 1980s are widely considered a turning point for the structural and industrial transformation of the Turkish economy due to the launching of a drastic, export-oriented market liberalisation programme. Having embraced an export-oriented, pro-globalisation development strategy since the early 1980s, Turkey has increasingly integrated into global networks of production and trade through close alliances with leading transnational corporations. Since then, a considerable surge in overall exports and export manufacturing has occurred, paving the way for an export-led industrial growth trajectory which thrived in the 2000s. During this period, overall export volume increased from less than $3 billion in 1980 to about $28 billion and $158 billion in 2000 and 2014, respectively (Turkstat, 2015). As the main driving sector behind export growth, the manufacturing industry's share of total exports has soared to 93% in 2014 from about 36% in 1980, signifying the substantial transformation Turkey has experienced (Turkstat, 2015).

Along with the rise of export-led manufacturing, the sectoral and technological composition of exports has also changed, similar to in other emerging countries. Following changes in its economic development policy, Turkey has diversified the range of goods it produces and risen to the ranks of world-class manufacturing hub in higher value-added products. Whereas in the 1980s and early 1990s Turkey essentially exported low-technology, labour-intensive goods such as textiles, food, tobacco and paper products, by the second half of the 2000s it achieved substantial structural change by shifting its manufacturing output and exports towards non-traditional and technology intensive areas such as automotive, machinery, electronics and chemical products. Driven by the rise of export-led manufacturing and coupled with increasing foreign investment inflows, Turkey has enjoyed a period of stable and solid economic growth, particularly in the last one and half decades. Between 2002 and 2007, Turkey's GDP experienced an annual average growth rate of 7.2% (Turkstat, 2015). Due to the global

turmoil in 2008, the growth rate first slowed down and dropped to 0.7% and -4.7% in 2008 and 2009, but later rebounded to 9% and 8.5% in 2010 and 2011, respectively, making Turkey the sixteenth largest economy in the world and the sixth largest in Europe, according to GDP figures (at PPP) in 2012 (Turkstat, 2015).

With daring aspirations to be in the top 10 largest economies in the world by 2023, Turkey stands out as a promising emerging economy with a fairly well-developed industrial base, and today it is perceived as 'Europe's BRIC' or 'the China of Europe'. Nevertheless, despite such aspirations, and the substantial transformation that has recently taken place, Turkey's capitalist development is laden with a series of structural limitations, economic and social contradictions and developmental challenges, which have to be addressed. In fact, as many argue (Erdem, 2010; Taymaz and Voyvoda, 2012), the recent growth and economic transformation in Turkey has been to a large extent linked to the increase of foreign investment inflow and the use of sub-contracting agreements by TNCs. Underpinned by a unique geographical location, a cheap, docile and skilled workforce, and its attractive investment environment, Turkey has benefited from benevolent global capital markets, particularly for developing countries, since the early 2000s.

Albeit still limited compared to other emerging countries, particularly China, Brazil and India, Turkey has attracted record levels of long-term FDI inflow, especially following the launch of its post-2001 reform programme. The cumulative volume of FDI inflow totalled $14.6 billion in the 80 years from the foundation of the Turkish Republic to 2003; it has increased more than 10 times over a decade, reaching over $149 billion in 2014 (Turkstat, 2015). Thus, over a broadly similar period, leading TNCs have increasingly penetrated into the economy and become an important capital bloc through greenfield investments, joint ventures, mergers, acquisitions and privatization, which indicates the denationalisation and dispossession of the economic structure in Turkey. In fact, the increased penetration of foreign capital has further driven the integration of Turkey into cross-border networks of production, finance and trade, but in turn has also marked the capital-dependent nature of this economic growth, as the rate and direction of capital accumulation has been highly correlated with the inward flow of global capital (Erdem, 2010). Given that domestic savings rates are low and fall short of investments, the growth of the Turkish economy is dependent on foreign capital and global liquidity conditions, which places certain structural limits on the sustainability of

Turkey's long-term growth performance and makes the overall economy vulnerable to external shocks.[2]

The limitations of Turkey's economic growth not only manifest themselves as ever-expanding dependence on FDI inflow and favourable external liquidity conditions. More importantly, the recent growth and structural transformation in the Turkish economy has also heavily relied on foreign capital in technological, managerial and market terms, and has lacked the indigenous dynamics necessary to develop capacities in high-technology and high value-added niches of global production, with genuine developmental outcomes on the side of domestic capital and wider society. As mentioned earlier, coupled with an export-led development strategy, the growth of foreign penetration and closer collaboration with global capital has increased the role of manufacturing and driven structural change in the Turkish economy. Turkey has emerged as an important manufacturing hub, diversified the range and technological composition of the goods it produces, and moved into the ranks of world-class competitors, particularly in the range of medium-low and medium-high technology industries. This indicates a substantial structural change as a few decades ago the Turkish economy predominantly specialised in resource-based, labour-intensive sectors.

However, despite such structural changes in the recent past, Turkey, alongside other emerging countries, has had a harder time upgrading its economy by moving into high value-added activities and products at considerable levels of local input, both material and technological, from domestic firms, and with genuine development outcomes on the side of wider society. The evidence reveals that with an overall share of 68.6% in total manufactured exports, the low-tech and the medium-low tech industries still constitute the main areas of Turkey's specialization within the global division of labour (Turkstat 2015). Turkey has thus reached a significant but still constrained level of development compared to both the erstwhile advanced economies of the north and the first-tier NIEs of East Asia which to a large extent upgraded their economies into technology-intensive and high value-added areas at high levels of export competitiveness and local input.

[2] For further accounts on FDI inflow and the capital-dependency of the Turkish economy, see Öniş and Kutay (2013); Öniş and Bayram (2008); for critical assessments, see Yeldan (2007); Bağımsız Sosyal Bilimciler (2012).

Even the growing involvement of Turkey in technology-intensive and higher value-added production has not necessarily increased the value captured by the local economy, and has not generated genuine development outcomes for wider society. In fact, akin to processes in many other countries in the south, the restructuring of the Turkish economy has driven the rise and diversification of manufactured exports and the shift to higher value-added production, but local producers have accounted for relatively little of this value. Though there are only limited data for the period since the early 1980s, the rise and diversification of manufacturing exports seems to have been accompanied by a disproportionally low share of globally created value (Köse and Öncü, 2000; Taymaz et al., 2011). Indeed, Turkey's involvement in higher technology production is inseparable from the global strategies and investment decisions of leading TNCs. While Turkey, in close collaboration with global capital, has increasingly hosted technology intensive and higher value-added production, local producers have rather experienced a lower road of progress and development, mainly characterised by increasing share of manufacturing exports and productivity, albeit with series of limitedness in increasing returns to scale, developing endogenous R&D competencies, innovating in new products and processes and thus moving up to high-value added niches of global production.

Thus, the rise and diversification of export-led manufacturing in Turkey represents a less impressive picture. Although higher value-added manufacturing exports seem to have increased, the real contribution of local industry has remained stuck at the downstream stages of production, typically characterised by activities like application of routinized technologies and production, and testing and packing for leading transnationals. Local producers have therefore displayed limited achievement in expending their control over the creation of value-added and remained mostly dependent on leading transnationals in aspects ranging from having cutting-edge production technologies to developing product designs and concepts, from owning patents to accessibility to export markets. Turkey's involvement into higher value-added production thus seems to be dualistic in nature. While partnering or subcontracting transnationals seem to specialise in high value-added segments of production given high barriers to entry, accessibility to foreign markets and levels of R&D competencies, locally-owned or governed producers, benefiting from low cost production advantages

and large amounts of surplus labour, rather follow a lower road of articulation with a disproportionally low share of globally created value-added.

The formation of domestic industry along these lines has given local producers considerable level of manufacturing capability and competitive advantages, but on the other hand has generated limited and even impoverishing economic growth in wider society. As domestic industrialists mostly entered global production at the lower end of value relations, mainly as subsidiaries, subcontractors or suppliers, they have been subjected to fierce cost-down pressure from leading TNCs on the one hand, and cut-throat competition with dozens of counterparts on the other, which has in turn translated into low wages and little if any social upgrading for the salaried and labouring classes. As several studies have revealed (Aydin, 2005; Yeldan, 2007; Öngel and Tanyılmaz, 2013), the rise and diversification of manufacturing exports has rather intensified the social and economic exclusion of the mass of Turkish population from the economic growth process. In a sense, the growth of higher value-added manufacturing exports and Turkey's increasing integration in global networks of production and trade has put the burden of economic growth on the shoulders of the poorer and weaker classes, making Turkey one of the most inegalitarian countries, with Gini coefficient ranges between 40 to 43 over the last decade (World Bank, 2014).

To sum up, given the main characteristics of its recent development experience, Turkey constitutes an illustrative case for studying an important but mostly neglected question: namely dependency and development in today's global world. Turkey has achieved stunning GDP growth rates, increased the role of manufacturing in its economy, and become a global exporter in a wide range of industrial products, but this has been driven by FDI inflow and favourable external liquidity conditions, and it has remained dependent on leading TNCs in technological, managerial and marketing terms. A central paradox of Turkey's 'growth model' is consistently high rates of economic growth and industrial diversification on the one hand, but low levels of local value added on the other. This paradox is, in turn, based upon a low-wage economy with relatively little upgrading on the side of domestic capital. Thus, Turkey's recent experience has not led to a real convergence with the developed world or rendered the concept of dependency irrelevant, but has seemed to reproduce it within the new context of contemporary globalisation.

Given the lack of concern in the current development literature, addressing such a developmental paradox is empirically important and theoretically challenging. As noted earlier, little has been written about how and in what ways dependency and development work under the new dynamics of global capitalism. Many studies concentrate on either the long-standing success stories of the first tier East Asian NICs, where the penetration of foreign capital is less pervasive and the developmental role of the state is well-accepted, or on the new regional powers and 'catch-up states', such as China India and Brazil, which have recently grown with the help of high levels of FDI inflow. As an intermediate case highlighting both the potential and the limits of dependency and development in the south, the Turkish experience has received less attention and remained relatively unexplored.

Following the dominant trend in international development literature, studies of Turkish development have either neglected or given little attention to the contradictory and dependent nature of development in Turkey. The majority of research has been trapped between two broad schools of thought, namely market-led neoclassical explanation (Smithian/Ricardian) versus the state-led development perspective (Listian/Gerschenkronian). When it comes to understanding the limited development and the question of economic/social upgrading in Turkey, market-led explanations mainly put the blame on a combination of factors, such as continuity of market imperfections, deviation from the reform programme and the unorthodox manner of Turkish economic liberalization, characterised by populist and ineffective state practices.[3] Represented by pro-globalization and market-friendly elites in the bureaucracy, the media and academia, this mainstream line of thinking portrays the global economy as a source of developmental opportunities for developing counties, and attributes Turkey's limited performance to the persistence of market-distorting economy policies and institutional formations. On the other hand, the state-led development perspective has put emphasis on the need for proactive economic governance and state institutions, through which Turkey could overcome the hurdles of late development and launch a state-led catching-up process.[4] Confronting Turkey with the success stories of East Asian late-developers such as Korea, Taiwan and Singapore, these studies mainly propound that the main culprit for Turkey's relatively low

[3] For this line of explanation see Alper and Yilmaz (2003); Uğur (2004); Çetin (2010); Derviş (2014).
[4] For the state-led development perspective, see Sönmez (2001); Kozlu (2003); Belet (2006); Öniş and Şenses (2007); Tuncel (2014).

economic performance and upgrading is the lack of autonomy and developmental capacity of state institutions, which are unable to solve social and distributional conflicts or pursue long-term strategic development policy.

Although few and far between, there are also some critical accounts of Turkey's development performance inspired by Marxist and neo-Marxist interpretations of development theories. In general, critical accounts mainly tend to attribute Turkey's relatively limited economic performance to a series of contradictions emanating from country's integration into the global economy.[5] Almost diametrically opposed to pro-globalisation and free-market development discourse, these explanations see the capitalist development and global integration of Turkey as a dynamic but inherently uneven process which in fact undermines the prospects for sustained capital accumulation and development. Seen in this way, the question of economic/social upgrading is answered in relation to the malign nature of global capitalism, and Turkey's firm and blind commitment to neoliberal pro-globalisation development policies, due to which the economy has entered in a high-debt, FDI-led growth pattern marked by limited outcomes for the local economy and labouring classes.

Taking their cue from neo-Marxist theories of underdevelopment, some of these studies (see Boratav, 2007, 2009; Erdem, 2010) reveal that the increased foreign capital inflow -particularly the speculative kind- and the growing indebtedness of the economy have led to net resource transfer from Turkey to the core of the capitalist world. These studies, in a sense, echo the structuralist and economistic views of the dependency perspective, by showing how Turkey has disadvantageously deepened its reliance on global capital, and how net resource transfer from Turkey to the metropoles has actualised in the form of debt payments, interest revenues and profit remittances. Indeed, at a very general, abstract, macro level, these studies have highlighted the dependent nature of Turkish development. However, like many other studies, they say very little if anything about how dependency and development works under the current dynamics of global capitalism, and how the integration of the Turkish economy with global capitalism through a particular type of accumulation pattern, a configuration of class forces and state-society relations, has set the parameters for economic and social upgrading in this context.

[5] Despite some variations and discussion within them, some of the critical accounts of Turkish development are Yeldan (2005, 2007); Boratav (2009); Erdem (2010); and Bağımsız Sosyal Bilimciler (2012).

1.3 Aims, Scope and Research Questions

Moving beyond the explanatory limitations in the literature and using the Turkish experience as an illustrative case, this study aims to examine how and in what ways dependency and development have been produced and re-produced in today's global south. The study develops an understanding of dependency as a process that in essence emerges from the historical, class-relational and socio-institutional specificities of a particular territorial formation. One of the principle concerns of the study is to move beyond an economistic, state-bounded and ahistorical meta-theorisation of dependency, to an analysis of the changing nature of dependency relations, firmly grounded in the historical and social conditions of late capitalist development. The study seeks to do so by exploring the nature of interaction between the state, domestic classes and foreign capital, and their relationship with the wider global economy, and by discussing how the nature of these relations identifies the prospects of dependency, development and economic upgrading in the global periphery.

Drawing on such a perspective, this study critically examines the matter of dependency and development in Turkey by putting it into a broader historical and comparative context, in which Turkey's recent development experience is retrospectively and comparatively discussed through not only the changing dynamics of world economy but also the historical transformation of class configurations and state-society relations in Turkey. The study in a sense employs an articulation of the historical materialist methodology to reveal how the contradictory and dependent nature of Turkish capitalist development was formed, perpetuated and transformed through deep conflicts in inter- and intra-class relations, and their manifold interactions with the state and the world capitalist economy. Recognising the limitedness of a single-case study for the purposes of large-scale generalisations, the study also adopts a loosely comparative perspective by contrasting Turkey with the emerging but still developmentally challenged cases of Latin America such as Brazil and Mexico, and the East Asian success stories of Korea and Taiwan. As mentioned earlier, the objective is not to provide a comprehensive cross-regional analysis of these countries, but to derive general insights in order to understand the divergent nature and consequences of dependency in the global south, and to place Turkey in the wider context of north–south relations

This examination of the Turkish case ultimately aims to avoid totalising, deterministic, stagnationist and mechanico-formal formulations of dependency, and rather aims to

build a concrete analysis that grasps the divergent and changing nature of dependency relations, given the richness of concrete historical situations. Adding a sense of change and continuity, the study not only seeks to trace how the contradictory and dependent nature of Turkish capitalist development has been perpetuated and has taken new forms throughout class structures and state-society complexes that are in flux, but also to reveal how it has more recently manifested itself along asymmetrical and hierarchically structured global value chains which are by and large dominated by leading TNCs, but at the same time been conditioned by the broader historical, institutional and class-relational context of Turkish capitalism. In doing so, the study offers a refreshing reading of the Turkish political economy which carefully adopts and integrates historical, class-relational and institutional analyses of dependency relations into the matter of economic and social upgrading along value chains.

Building on this country-level analysis, the study then combines the merits of country study with the demonstrativeness of sectoral analysis by taking the Turkish automotive industry as a representative case, which will add empirical rigor, deeper insight and further validation at the lower level of analysis. The reason for choosing the automotive industry is presented in the related chapter, but can be summarised as follows. First, having been the export champion of the last ten years, with an annual production of over 1.3 million vehicles and a considerable share of employment (more than 400,000 people), no other sector reflects the success and limitations of Turkey's recent structural transformation (OSD, 2016). Equally importantly, as a highly globalised but still hierarchical sector, the auto industry provides an excellent case to explore the constrains and prospects of economic upgrading and dependency considering entry barriers, currently marked by increasing economies of scale, skyrocketing capital requirements, rapidly changing product and process technologies, and intensifying competition in global markets.

Considering its significance on both national and global levels, this study further concerns itself with the analysis of dependency relations in the Turkish auto industry in order to concretise the findings and discussions presented in the country-level analysis. In so doing, the study aims to move beyond the generality and abstraction of country analysis, and to provide more elaborative and empirical insights into how dependency relations have actually emerged, been perpetuated and been reproduced through the interrelationship between transnational auto-firms, the state and local classes. Following

the retrospective and comparative perspective in the country-level study, the sectoral analysis explores how the Turkish auto industry has been historically integrated into global networks of production and trade in asymmetrical and dependent terms. Special attention is concordantly given to shifting configurations of class forces, state-society relations and institutional settings in Turkey with occasional references to the insights derived from auto industrialisation in the Latin American and East Asian cases. Drawing on this longitudinal and comparative analysis of the Turkish auto industry, the study reveals the changing dynamics and working mechanisms of dependency relations in today's global world.

In line with these objectives, this study, at the broader level, seeks answers to the following set of interrelated questions:

1- Has the rise of the global south and new economic powerhouses really cast the notions of subordination, peripherality and dependence into the dustbin of history in development studies? Is dependency dead as an explanation of underdevelopment in today's global world?

2- If not, to what extent is the idea of dependency relevant in explaining development and underdevelopment, and how does it actually work under the current dynamics of global capitalism?

Lying at the heart of these main questions, the study also explores consequential sub-questions, as follows:

3- Looking at the wider periphery, how does dependency and development manifest themselves in diversifying forms over time and across different geographies?

4- Why have some countries in the south managed to overcome developmental challenges and dependencies and move into industrial innovation, global competitiveness and high value-added production at considerable levels of efficiency and local inputs, while others like Turkey have remained limited in this respect?

5- How and in what way has Turkey's integration with the global capitalist economy through a particular configuration of class forces, state-society relations and institutional arrangements set the parameters for its relatively limited and asymmetrically dependent development performance?

6- Lastly, how has the rise of dependent development in the Turkish economy manifested itself in more concrete forms over time and across companies at the lower level of sectoral analysis in the Turkish automotive industry?

1.4 Research Design, Methodology and Data Collection

In addressing these questions, the study employs a mixed-methods approach that integrates both qualitative and quantitative data. The basic rationale for utilising a mixed-methods approach is not to replace either of the methods (qualitative or quantitative) but rather to draw on the strengths of each and offset the limitations of one with the other in a single research programme. Broadly speaking, the primary philosophy of mixed-methods research is based on the contention that all type of methods, either qualitative or quantitative, are inherently biased and have weaknesses, so use of multiple methods helps to minimise the weaknesses of monomethod research and enhance the validity and richness of research findings. The design of a mixed-methods study is in fact contingent on the research questions raised and the ontological and epistemological nature of academic inquiry. Since the primary foci of this study is explanation of the changing dynamics of dependency relations in Turkey and the Turkish automotive industry, particularly the nature of interaction between TNCs, the state and classes over time, it is explanatory and interpretive in its nature. Therefore, this study mainly utilises the qualitative method of analysis, more precisely semi-structured in-depth interviews, to address the research questions. Guided by open-ended questions, semi-structured interviews ensure the free flow of country- and sector-level information, provide broader scope for an understanding of the perceptions and attitudes of different stakeholders, and help us to deal with the complexities of the research phenomenon.

However, the findings and analysis of interview-based qualitative research are hard to generalise from and easily influenced by the biases and idiosyncrasies of the researcher. Therefore, in order to reach a more generalisable view with respect to the subject of inquiry and reduce the subjectivity of personal interpretations, the insights gathered from semi-structured interviews were also supported and supplemented by closed-end survey questions and basic descriptive statistics in order to address descriptive types of research questions and to assess cause-effect relationships. Overall, employing a *qualitative dominant* mixed-methods research design, this study seeks to enhance the validity and generalisability of research findings and provide a deeper understanding

and fuller picture of the investigated phenomenon through a triangulation of multiple data gathered from in-depth interviews, questionnaire surveys, general statistics, historical records and public information.

When it comes to examining the changing dynamics of dependency and development in Turkey at the country level, the study utilises an articulation of the historical-structural methodology that lets us understand the ways in which inherited socio-economic, class-relational and institutional characteristics have shaped and influenced the dynamics of dependency and development throughout Turkey's history. As a dialectical approach, historical structuralism ensures the examination of social reality and causal-mechanisms not only through structural and systemic imperatives, but also through the historical transformation of class configurations, changing dynamics of state-society relations and social relations of production. In this sense, the study employs a process-tracing method in a historical materialistic sense. Given its macro nature, the country-level analysis, in terms of the data employed, relies heavily on both primary and secondary sources such as country statistics, official records, development plans, speeches, reports, books and articles.

The country-level analysis lets us explore the historical, class-relational, institutional and political economic context in which dependency relations first emerged and were then reproduced up to the present, by moulding the general contours of capitalist development in Turkey. However, an empirical examination of these relations, by its very nature, requires an in-depth engagement with industrial and trade relations, where dependency and development materialise in more concrete forms. Therefore, the present study also employs case study research in the automotive sector to add empirical rigor to the analyses. The principal data for the sector-level analysis were obtained through both semi-structured in-depth interviews and questionnaire surveys, which are expected to provide first-hand insights into how dependency and development work under actual conditions. The interviews and surveys were conducted in five different cities (Istanbul, Kocaeli, Bursa, Izmir and Ankara), where the automotive final-assemblers and most of the auto component/part firms are located.

Out of a total of 15 final-assemblers in Turkey, seven passenger-car or commercial-car producers took part in the interviews and surveys, while two tractor producers were excluded from the sample as they are considered off-road vehicles (see Appendix, 1). For the final-assemblers, interviews and surveys were held with a person in a

managerial position, such as executive director, vice general manager or with a department manager such as an R&D director or product development manager. Apart from final-assemblers, 35 auto component/part manufacturers (see Appendix, 2) were interviewed and surveyed separately, subjected to specifically prepared interview and survey questions for the auto sub-industry. As in the case of final-assemblers, interviews and surveys were mainly conducted with those in high-ranking positions, such as CEO, chief executive or board member, or with one in a managerial position such as R&D manager, production manager or quality manager. Although sample sizes of final-assemblers and component/part manufacturers are relatively small and do not perfectly represent the research population, they were purposively selected to give an indicative picture of the Turkish automotive sector. Based on a purposive sampling methodology, the study seeks to ensure diversity within the sample by interviewing a comparable number of firms in terms of size, ownership structure, field of activity and geographical location (for details see Appendices 1 and 2).

In order to obtain additional insights about the Turkish automotive industry, separate in-depth interviews were also held with directors of business/industry associations, bureaucrats, academics and experts who were/are actively involved in policy-making processes related to the auto industry (see Appendix 3). In addition, of the 42 auto firms interviewed, the interviewees of seven firms were/are also directors, board members and representatives of the industry/business associations. From these interviewees, additional information was obtained regarding the activities of industry/business associations and their relations with the state. Lastly, a wide range of separate interviews and surveys were also conducted with auto-workers (see Appendix 4) in order to explore the implications of auto-led development on the labouring classes, and their respective position and role within the industry. None of the worker-level interviews were carried out within work premises since this could inconvenience interviewees and impact the quality of information obtained. Again, to get an indicative picture of workers' opinions, interviews were purposely held with a comparable number of workers in terms of workplace size and field of activity.

In collecting the data, questionnaire surveys were concurrently conducted along with in-depth interviews (see Appendices 5, 6, 7 and 8). Each interview was held face-to-face, lasted about 80-90 minutes on average and was tape-recorded for further analysis. Preceding or following some of the interviews, I was also invited to make direct

observations on the factory floor. The direct observations of factory sites, and random interviews with line managers, engineers and technical personnel, provided further information and insights into the dynamics of the manufacturing process, application of technological changes, organisation of production and management of the labour force at shop-floor level. Besides, public information gathered from firm websites, industry magazines, sector statistics, publications by industry/business associations and press releases provided additional information to crosscheck and enrich the primary findings gathered from the field study.

In evaluating the data collected, our approach was not a typical positivist methodology, involving empirical observations and data measurement for a precise assessment of causal relationships between variables, but rather an approach that can be best defined as a qualitative analysis backed by quantitative findings. As the present study aims to explore the changing nature of dependency and development within the Turkish automotive industry, primarily by looking into interaction among leading TNCs, local classes and the state, it is explanatory in nature in its attempt to ensure an in-depth understanding of the matter under investigation. Thus, the evaluation of data involved a qualitative method of analysis that mainly seeks to address ‘how’ and ‘why’ types of questions.

A qualitative analysis of in-depth interviews provided deeper understanding of a wide range of questions, such as how the Turkish auto industry has been incorporated into global networks of production and trade on unequal and dependent terms; how domestic auto firms have interacted with transnational corporations, state, non-state actors, and other social classes; how the Turkish auto industry responded to developmental challenges and opportunities in a way that reshaped its learning process and upgrade path; why the Turkish auto industry has been confined to a certain upgrading process and has failed to generate genuine developmental outcomes for both domestic capital and the labouring classes. The insights gathered from in-depth interviews was complemented and supported by survey data, which provided descriptive evidence to identify the factors and actors affecting the dynamics of dependency and upgrading in the Turkish auto industry; to reveal the effects of dependency, development and internationalisation on local firms and the labouring classes; and to trace the inter-relationship and delegation of decision making authorities in the auto industry on sectoral- and firm-levels. Nevertheless, a quantitative method of (descriptive) analysis

was only applied to the extent that it contributes and gives rigor to the overall interpretive analysis. Thus, the validity of the empirical findings for the interpretive case study was achieved by the triangulation and evaluation of multiple data gathered from surveys, in-depth interviews, direct observations and public information.

1.5 Plan of the Study

Equipped with the above-given research design and choice of methodological approach, this study revisits and sheds light on the matter of dependency and development in seven chapters. Chapter 2 commences with a critical survey and discussion of relevant literature on dependency school giving special emphasis to its complex intellectual roots, the diversity of analyses and the variety of its different interpretations. Here the first steps are taken towards an up-to-date and analytically valid conceptualisation of dependency and development, via a critical discussion of the barrages of criticisms levied against it, and an exploration of its current relevance and applicability. Beginning with such a critical survey is a tactical prerequisite, since any revisiting of the dependency perspective is prone to confront an outright and sweeping dismissal right off the bat. The chapter rather claims that critiques of the dependency school have gone too far, ignoring its overall contributions and contemporary relevance, and counter-argues that a more sophisticated variant within it, historical-structural dependency analysis still offers an analytical value and basilar IPE framework to build upon.

Building on the discussion given in Chapter 2, Chapter 3 lays out the analytical and conceptual framework of the study and situates it within various strands of current development research. This chapter develops a novel analytical framework of dependency and development by selectively drawing on a set of conceptual tools and insights from Schumpeter's theory of innovation, Global Commodity Chain/Global Value Chain analyses and a class-relational articulation of the developmental state. By critically engaging with the Schumpeterian theory of innovation, the chapter argues that the polarising tendency of the world capitalist economy continues to generate global inequalities and disparities, leading to clustering of core-like and periphery-like activities in socio-spatial terms. The chapter then elucidates how and in what ways the current process of global stratification and re-configuring of core-periphery relations gives rise to the reproduction of dependency situations, particularly along hierarchically structured global value chains. With the help of the chain metaphor, the chapter aims to reveal how new forms of dependency are concretised in today's global economy.

However, despite its utility, the chapter also argues that an unmediated adherence to value chain analysis is likely to culminate in a firm-centric, techno-industrial and market-based analysis, as seen in the current research literature. Thus the chapter concludes the proposed framework by putting the analysis of dependency and upgrading along value chains into a wider social, institutional and class-based context, derived from a class-relational articulation of developmental state.

In Chapters 4 and 5 the ideas and analytical framework presented in the theory chapter are developed, refined and concretised via direct confrontation with the political economic context of Turkish capitalist development. These chapters together trace the changing nature of dependency relations from the early years of modern Turkey to the present, with references to insights derived from the Latin American and East Asian cases. Adding a sense of change and movement, these two complementary chapters show how the dependent and contradictory nature of Turkish capitalist development has been perpetuated and has taken new forms through shifting configuration of class forces and state-society relations that are in flux, but still bringing with it the legacies of earlier periods. These two chapters reveal that given long-standing inter- and intra-class cleavages and the uneasy nature of state-society relations, Turkey, despite its recent economic performance, has lacked the class-relational and institutional capacities to successfully cope with changing developmental challenges and dependencies over time, and thus has not moved into high value-added niches of global production with genuine developmental outcomes either for the domestic bourgeoisie or wider society.

Chapters 6 and 7, later on, combine the merits of country-level study with the concreteness of industry analysis. The two chapters together provide in-depth insights into how dependency relations emerged, developed and transformed over time within the global network of auto production and trade. Chapter 6 explores the formation of domestic auto value chains in the Turkish Auto industry, and discusses earlier forms of dependency relations and auto-led development, with reference to the interplay between the state, social classes and transnational auto firms in Turkey. Completing our industry-level analysis, Chapter 7 shifts the focus to the recent process of restructuring in the Turkish auto sector since the early 1980s, and discusses how the re-articulation of the Turkish automotive industry with global auto value chains, through particular patterns of accumulation, configuration of class forces and state-society relations, has generated a new form of dependent and exploitative auto-led development in Turkey.

Finally, the last chapter concludes with a review of the arguments and key findings of the study, and discusses their contributions, generalisability and implications for future research.

CHAPTER 2

Towards an Up-to-Date and Analytically Valid Conceptualisation of Dependent Development

2.1 Introduction

Is dependency theory truly dead as a possible explanation in today's development studies? Does the dependency perspective no longer provide conceptual and analytical tools for the study of underdevelopment under the dynamics of contemporary globalization and the new international division of labour? Has the rise of a number of newly industrialized countries in Asia and Latin America refuted the central tenets and foundations of dependency approach? Today, a broad consensus not only in development agencies but also in academia answers these questions in the affirmative. For policy-making circles and most development agencies, dependency theory has been among the least favoured perspectives for a long time now. On the terrain of intellectual currents, even the whole concept of dependency is a cursed notion, which is likely to sideline someone in recent development debates.

In retrospect, after coming to prominence in the 1960s, dependency perspective made a tremendous impression in academic circles as an outstanding development paradigm of the time. However, by the early 1980s the dependency approach was on the wane, and today it has been almost relegated to footnote status in the fields of both development studies and International Political Economy (IPE). The reasons behind this swift demise are miscellaneous but identifiable in broad strokes. As Stallings (1992, p.48) simply puts it, "the combination of intellectual critiques and reinforcing international trends had a devastating effect on dependency analysis". On a number of occasions, dependency analyses have been subject to a barrage of criticism not only for falling behind the times but also for being intellectually and theoretically flawed in and of themselves. As a corollary, there is today a well-accepted presumption among the overwhelming majority of academics that dependency analysis no longer provides a feasible framework or practical value for the examination of the problematique of economic backwardness.

In stark contrast to the commonly-held presumptions in today's development discourse, this study counter-argues that the validity of certain aspects of dependency analyses remain standing, since the issues and problems that inform the dependency approach have not disappeared, but rather gained increased relevance under new forms and in different ways. Among many others, one of the premier factors behind these issues is the persistence of asymmetries of power and wealth that characterize global economic relations today. In fact, the world economy has experienced a far-reaching move towards a more integrated and coordinated global division of labour in production and trade over the last few decades. Today, the global spread of production has brought with it a far-flung convergence in levels of industrialization between former First and Third World countries, making the dichotomy between 'industrialized' and 'non-industrialized' increasingly elusory.

However, despite the rise of transnationalised production networks and the convergence in levels of industrialisation, the asymmetric and polarised nature of the world economy is still extant. The global spread of industrialization has been accompanied by new asymmetrical power relations that mostly take place throughout hierarchically structured chains/networks of global value relations. The emergence of new hierarchy structures along these chains/networks comes into existence through a matrix of power conflicts between states, transnational companies, local capitalists and labouring classes.

At the heart of all these circumstances lies the question of whether such asymmetrical power relations along the value chains give currency to the persistence of dependency relations under new forms, forcing us to re-engage with the dependency perspective. In response to this widely ignored question, this study affirmatively reveals how dependency relations persist in new forms along the networks/chains of global value relations. To that end, the study develops an up-to-date and analytically operational framework of dependent development, in order not only to interrogate the developmental outcomes of Turkey's integration with global capitalism as the main focus of the research, but also to provide a rebuttal to the widely-accepted argument that the notion of dependency is no longer a valid analytical framework to study the current dynamics of underdevelopment in the wider global south.

Bearing this objective in mind, this chapter takes the first steps towards an up-to-date and analytically valid conceptualisation of dependent development under the new

dynamics of today's global capitalism. The chapter commences with an introductory section which provides a retrospective overview of the dependency school. Here the purpose is not to comprehensively review dependency literature, as many works have already done so, but to briefly explore the complex roots of dependency analyses and a variety of intellectual currents within it. Such an introductory section seem to be a prerequisite to situating our own theoretical formulation within the broad church of the dependency tradition. The subsequent section then critically discusses the barrages of criticisms levied against the dependency school, since any revisiting of this archaic line of thought might be quite easily subjected to an outright and sweeping dismissal beforehand. In doing so, this section does not aim to blindly defend obsolete formulations within the dependency tradition, but to reveal how critiques of the dependency school have gone too far to ignore its sophisticated variants, overall contributions and contemporary relevance. More importantly, gaining greater insight into the critiques of the dependency tradition helps us to move from solid and employable analytical grounds. Lastly, drawing on this critical survey, the final section discusses how and to what extent a specific method of dependency analysis, called historical-structuralism, offers important analytical value and insights on which we will build our own framework, later in the subsequent chapter.

2.2 An Overview of Dependency Literature: The Rise and Fall of the Dependency School

In retrospect, the origins of dependency analyses can be traced back to the late 1940s and early 1950s, when Latin American intellectuals (*pensadores*) enunciated criticism of the liberal and diffusionist views of modernisation theory as the orthodox economic *pensée* of the time. Under the direction of its executive secretary Raúl Prebisch, a group of economists and social scientists who worked for the Economic Commission for Latin America (ECLA) searched for an alternative explanation to the persistence of underdevelopment (*subdesarrollo*) across the continent (Seers, 1981). Contrary to the classic theory of foreign trade and its basic ideas of comparative advantage, Prebisch, along with Hans Singer, a well-known heterodox economist, developed a theory of the secular trends of exchange relations which propounded that the terms of trade had retrospectively deteriorated to the disadvantage of periphery-like countries.

Although the Prebisch-Singer thesis is taken with a pinch of salt, particularly by policy circles in the Northern hemisphere, it profoundly influenced development discourse in

Latin America, laying the foundations for the idea that industrialisation in peripheral countries should be boosted through state-led developmentalism (*desarrollismo*) and import-substitutions (Kay, 2011). The original propositions of Prebisch-Singer, such as the centre-periphery paradigm, the peculiarity of peripheral capitalism and declining terms of trade, enjoyed a high degree of popularity and came to have far-reaching policy implications. Thus, Latin American countries pursued strategies professedly conducive to autonomous, self-sustaining development. Likewise, they aspired to industrialise and diversify their export compositions behind high tariff walls, with the ultimate goal of reducing the continent's dependence on multinational manufactures and thus on the developed north.

However, the goals and expectations of the ECLA's model of development ran into problems, starting in the early 1960s. The situation in Latin American economies took a turn for the worse: the balance of payment crisis exacerbated, real wages did not increase far enough to stimulate aggregate demand, unemployment grew even more acute and the industrialisation process lost its dynamism (Palma, 1978; Larrain, 1989). These developments sparked a new wave of pessimism, leading to trenchant criticism of old established paradigms, namely modernisation theories as well as the ECLA's structuralist approach. To put it another way, the real-life crisis of import substitution and *desarrollismo* generated new and possibly more dangerous forms of dependence that gradually converted the ECLA structuralists into dependency theorists (Seer, 1981, p.140).

Nevertheless, despite its eminently critical character, the dependency school kept a line of continuity with previous analyses, including classical sociology, Marxian political economy, and earlier theories of imperialism and some structuralist theories of IPE that are avowedly non-Marxist (Palma, 1989; Kay, 2011). Among these, two main features of the intellectual origins of dependency analyses could be highlighted. First, the ECLA's formulation of centre-periphery paradigm and its asymmetrical trade relations was the instrumental starting point (Larrain, 1989). In this respect, Prebisch can be rightly credited not only as the leader of the ECLA's structuralist school but also a forerunner of dependency analysis. Secondly, much of the dependency literature drew inspiration from classical sociology, Marxian political economy analysis of backwardness, as well as earlier accounts of imperialism, by which dependency analyses sought to integrate determination of economic structures with the agency,

social and political aspects of the development process and strategies of class domination (Palma, 1978).

Drawing inspiration from such a complex base of intellectual traditions, dependency analysis appealed to a broad church of writers and scholars from different political perspectives. Therefore, it was, by nature, a heterogeneous paradigm, as its formulations tended to be employed flexibly, meaning quite different things to different people. Such diversity is not necessarily a problem if we approach any other paradigm or tradition in social sciences, but it makes any attempt at a comprehensive survey difficult. Among many others (Blomström and Hettne, 1984; Larrain, 1989; Kay, 2011), Palma (1978) suggested a useful classification of three intellectual variants within the dependency school, upon which this study draws for the sake of developing an up-to-dated analytical framework.

The first variant, best represented by Sunkel (1969) and Furtado (1970), grew out of the critique of the ECLA's analyses as a reformulation which put greater emphasis on the obstacles to national development stemming from exogenous factors. Being reformist in nature, this strand did not simply add new elements (both social and political) into the analysis, it also sought to move beyond the ECLA tradition which in turn popularised the dependency paradigm throughout Latin America. The second variant within the dependency school sought to uncover the 'laws' of dependency and construct a general theory of underdevelopment. The principal tenets of this variant are that underdevelopment of peripheral countries is directly caused by their dependence on core economies and that capitalism itself in peripheral economies is incapable of bringing forth a process of economic development.

The deterministic and stagnationist assumptions of North American Marxists Baran and Sweezy (1952) exercised a major influence on this current of dependency thinking, making their works quite different from the original dependendist views developed in Latin America (Larrain, 1989). Palma (1978) here notes the works of A.G. Frank (1967; 1969), followed by Dos Santos (1970), Hinkelammert (1972), Marini (1972) and others. Most notable among them, A.G. Frank increasingly shifted the focus of analysis from socio-economic and socio-political variables and institutional factors to the structural dynamics of the world capitalist system, leaving little room for questions of political and class agency in economic development.

The idea of dependency had in fact emerged as a nativist and post-colonial intellectual reaction in Latin America, but after reaching campuses in the US and Europe it acquired the status of what might be called orthodoxy. Particularly, US Marxist A.G. Frank quickly became the well-known and most important representative of the dependency school. Thus, the reception of dependency analyses in the English-speaking world gave inordinate space to the writings of Frank, thanks to their higher accessibility vis-à-vis the literature in Spanish and Portuguese (Cardoso, 1977). Moreover, Frank proposed a formalistic and 'fully-worked' out theory of dependency which was easily consumed by academic circles in the northern hemisphere as series of variables, isolated and measured through the full panoply of quantitative methods.

In fact, the earlier accounts of dependency relations mostly worked with ahistorical and highly stylized models, which led to a distorted perception of the dependency approach, particularly outside Latin America. However, following the lead of Cardoso and Faletto (1979), a new wave of dependency analyses emerged as the third variant within the dependency tradition, which deliberately refrained from developing a mechanico-formal theory of dependency and underdevelopment. Such an approach to dependency is best associated with a particular line of thinking called associated-dependent development, originally proposed by Cardoso and Faletto[6] (1969/1979) and later adopted and crystallized by many others such as Evans (1979), Gereffi (1983), Bennett and Sharpe (1985), Lim (1985), and Gold (1986). This unorthodox variant of the dependency school outspokenly denounced the formalism of both the empirical measurers of dependency relations and the doctrinaires who constructed an overarching theory of dependency, applicable to all situations. Rather, as discussed in depth later in this chapter, authors in this tradition proposed the most sophisticated conception of dependency, expressed as a concrete historical situation through the interplay of state policies, class relations and interests, both domestically and externally.

Thus, the variants outlined so far show that the dependency school is natively a heterogeneous movement of authors, lacking internal uniformity. Given its mixed parentage and the diversity of its intellectual roots, the dependency school offers rich but disparate modes of analyses that hold diverse tools, concepts and prognoses. As Kay (1989) has stressed, dependency studies have not yet constituted a single coherent and

[6] Cardoso and Faletto's seminal work first circulated as a mimeographed version in 1967, and was then published as a book in Spanish in 1969. It was only a decade later when its English translation appeared that it became more accessible to the English-speaking world.

fully worked-out theory of underdevelopment, but rather should be considered an approach, a paradigm, a framework, and so on. What is problematic in this respect is that, as contributors to the dependency tradition are devoid of internal cohesion, it makes any attempt to pin down its credos, mechanisms or even its conception an impossible task. Thus, in order to judge and appreciate the value of the dependency tradition, it seems essential to bear this diversity in mind and make sense of the variants of dependency that have been discerned so far.

Likewise, considering its diverse nature, it is hardly surprising that the dependency approach has been subjected to a storm of criticism from within and outside of the dependency school on methodological, theoretical, empirical and stylistic grounds. Its overarching popularity in the 1960s and 1970s was superseded by the emerging orthodoxy of globalization, succeeding the earlier import-substation phase. A new common sense began to crystallize by the mid-1980s on behalf of the benefits of open trade, foreign direct investment and less state intervention. Due to the rise of NICs, dependency discourse, particularly its vulgar and orthodox form associated with Frank's works, began to lose its allure in analytical terms. Moreover, the crisis of real socialism/communism also hammered another nail in the coffin of the dependency movement, which was in turn accompanied by the resurgence of neoclassical theory and neoliberal policies under the guise of globalisation.

Thus, it eventually became commonplace to confirm an impasse in development theory and practice. This impasse, to a great extent, was self-constructed through critics of mainstream economics who sought to come back to the fold. A flourishing literature on globalisation and neoliberalism became a candidate to transcend this impasse, revealing the self-proclaimed triumph of capitalism and the demise of any alternative development project associated with right/reformist and revolutionary/Marxist positions. Thus, dependency, as an allied theory of Marxism, experienced much the same fate, and eventually lost its entire credibility among students and practitioners of development studies. The end result of this fading popularity was an outburst of misplaced and sweeping critiques and outright dismissal of the dependency tradition which has gone so far as to ignore its overall contributions, more sophisticated formulations, as well as its contemporary relevance. Keeping this handicap in mind, the next section gives greater space to the critiques of the dependency school in order to capture the value of the dependency tradition in a more precise manner.

2.3 Dependency as an Obsolete Theory of Underdevelopment

Providing a comprehensive survey of critiques of the dependency school is beyond the scope of this research given the mass of writing that has appeared so far[7]. However, by cautiously dwelling on this barrage of critiques we can not only refrain from oversimplified criticism of the dependency perspective but also reach a streamlined understanding of dependency relations, which offers analytically employable tools to explicate the asymmetrical and exploitative nature of today's global economy. For convenience, I shall categorize these critiques under two broad headings, non-Marxist and Marxist. Non-Marxist critics of the dependency approach have provided a general sort of critique which probes dependency analysis as a scientific and testable theory. They scrutinise and look into matters such as internal consistency, formation of hypotheses, operational strength of variables, reliability and relevance of empirical evidence. Here one comes across authors like Philip O'Brien (1975), Sanjaya Lall (1975), Robert A. Packenham (1992) and Stephan Haggard (1990). Marxist critique on the other hand scrutinises issues such as the stagnationist assumptions of dependency school which overlooks the inherently dynamic nature of capitalism, lack of class analysis as a cornerstone of capitalist development, and indifference to the correlation between different modes of production and underdevelopment. Here one come across authors such as Bill Warren (1973, 1980), Bernstein (1979, 1982), Dale L. Johnson (1983, 1985), Gabriel Palma (1978, 1989) and James Petras (1981). Needless to say, the critical literature on the dependency school is vast and is not limited to these, but in what follows the principal and more often repeated criticisms are examined, since it is impossible to capture this Tower of Babel within the limited space of the chapter.

2.3.1 Non-Marxist Critiques of Dependency

One of the most serious critiques of the dependency approach by a non-Marxist author came in 1975 when O'Brien constructively but deficiently engaged in the dependency debate, relying on a positivist hypothetical-deductive methodology. In fact, O'Brien (1975, p.25) was not utterly against dependency theory, since he admits that the

[7] For surveys of critiques, see Kay's (2011) *Latin American Theories of Development and Underdevelopment*; Larrain's (1989) *Theories of Development: Capitalism, Colonialism and Dependency*; Blomström and Hettne's (1984) *Development Theory in Transition*. For a survey of Marxist critiques of the Dependency approach see *Dependency and Marxism* by Chilcote (1982) in which one can find a collection of essays, published in Journal of Latin American Perspective. For another far-reaching critique of dependency approach see *Dependency Theory: A Critical Reassessment* by Seers (1982) which involves a series of papers, presented in the Institute of Development Studies' conference, at the University of Sussex.

interplay between internal domestic structures and international structures is a critical starting point that has vital importance for understanding the process of development in Latin America. However, O'Brien methodologically points out the totalizing and abstract characteristics of dependency analysis. He conceives the dependency approach as an attempt to establish a new paradigm whose objective is to pose a higher level and general hypothesis within which lower level explanations and various heterogeneous phenomena are accommodated and analysed. Based on this reading of the dependency approach, he points out the danger that dependency analysis can readily become a pseudo-concept which explains everything in general and nothing in particular (O'Brien, 1975, p.12). In this way, the employment of dependency theory, in the hands of unsophisticated authors, has become a *deus ex machina* explanation for everything in Latin America.

In fact, O'Brien's critique is appropriate to a greater extent when it is applied to the works of some neo-Marxist and dependency authors such as Baran (1968), Frank (1969), Wallerstein (1974, 1976) and Amin (1974, 1976), in which an abstract and totalizing conception of dependency is apparent in different tones. In a similar vein, this totalizing and abstract reading, as Smith (1979) argues, sacrifices the parts to the whole in the historiography of dependency relation. Several times, such critiques were manifested within dependency thinking as well, since key figures like Cardoso (1973) and Palma (1989) repeatedly laid stress on the dialectical unity of the whole and the parts in particular. Indeed, as Cardoso (1972) once warned, what critics like O'Brien principally miss is that the problem of dependency theory is not the misemployment of it, but its very totalizing and abstract conception, which is believed to construct a paradigm in sophisticated hands. This is why the employment of dependency in such a manner – a totalizing paradigm - is one way or another doomed to fail in constructing a viable framework for the articulation of dependency relations.

Being chary of the dependency approach, O'Brien raises thought-provoking questions, some of which found further expression in the more concrete and detailed analysis of Sanjaya Lall (1975). On similar methodological premises, Lall (1975) questioned whether dependency was a useful concept that was casually related to the persistence of underdevelopment. Answering this question, Lall (1975, p.800) set forth two criteria that the notion of dependency should meet if it aspires to be regarded as useful in the analysis of underdevelopment:

1- It must lay down certain characteristics of dependent economies which are not found in non-dependent ones.

2- These characteristics must be shown to adversely affect the course and pattern of development of the dependent countries.

To find out whether the first criterion had been fulfilled, Lall went though both the static and dynamic traits of dependent countries held out by dependency authors. Like O'Brien, he concluded that the concept of dependence as applied to peripheral countries was impossible to define, since the characteristics used to describe dependent countries were also present in core countries. He shows how countries like Canada and Belgium were far more dependent on foreign investment than countries like India and Pakistan, but the former cannot be classified as dependent economies. Moreover, for critics such as Lall, the reliance on foreign technology, another salient aspect of dependency, is as commonplace in core countries as it is in peripheral economies. From this point forth, it was argued that the characteristics applied to dependent economies are not peculiar expressions of dependent capitalism but rather typical of capitalist development in general (Lall, 1975).

Lall's second criterion dealt with the matter of whether there is a causal connection between the characteristics of dependency and underdevelopment. Again and not surprisingly, Lall (1975) did not find such a causality relation, and thus no basis for a theory of underdevelopment in Latin America. For him, what one might call dependency theory is a catalogue of social, economic political and cultural factors, which nonetheless are incapable of explaining the dynamics of underdevelopment. Therefore, Lall (1975, p.800), like O'Brien, pointed out that when reading the literature, one occasionally gets the impression that "dependence is defined in a circular manner: less developed countries (LDCs) are poor because they are dependent, and any characteristics that they display signify dependence".

There is little doubt that if one tests dependency theory through the standpoint of Lall or, in more plain words, through what O'Brien has called 'positivist hypothetical-deductive methodology', it is no surprise that the theory of dependency does not seem to pass the class. What authors like O'Brien and Lall errantly do in their critiques is to conceive 'dependency' as a theory with a set of propositions whose validity is empirically tested and measured through precisely defined variables. Subjecting

dependency analysis to such a positivist and deductive methodology principally goes against the essential characteristics of dependency studies: to put it bluntly, its emphasis on historical analysis of class formation, class struggles, and the reformation of existing order through shifting class coalitions, social movements and the state's actions. As many (see Valenzuela and Valenzuela, 1979; Cardoso and Faletto, 1979) put it, dependency, as a concept, does not hold a particular empirical reference, due to which it cannot be dealt with as a 'variable' to assess relative degrees of dependence and interdependence among divergent national units. Thereby, dependency, as Larrain (1989) has counter-argued, does not refer to a formal theory that can be granted meaning through a number of static and dynamic variables related to external relations between national units which bear no relation to domestic contradictions and class struggles.

In brief, what critics like Lall principally miss is that they conceive dependency in Frankian terms, as if it referred to a set of distinctive characteristics that necessarily lead to underdevelopment. Thus, they simply counter-argue that the relative level of technological dependency and foreign capital penetration in countries like, say, Canada and Belgium, is as commonplace as it is in economies like Brazil, Chile or Thailand. However, the former two are not literally viewed as dependent economies, or the level of dependency in these economies does not lead to underdevelopment. What these critics are not aware of is twofold. First, the former countries can be as dependent as the latter in technological and capital terms, yet these economies have a diversified and uneven pattern of development due to immeasurable factors such as class dynamics, historical peculiarities and state formation, all of which redefine dependency in a different manner. Second, these critiques are erroneous and misleading given the fact that many dependency authors like Cardoso and Faletto (1979), Evans (1979) and Lim (1985) have already demonstrated that the state of dependency does not necessarily lead to underdevelopment.

Perhaps, one of the most extensive and devastating critique of the dependency school was presented by Stanford's Professor Robert Packenham.[8] As one of the most

[8] For many, Packenham's critique stands as perhaps the most well-rounded. As for me, what makes his critique so crowd-pulling is the bitterness of his criticism, which targets not only the whole dependency movement but also a considerable number of eminent scholars in Latin American studies, making it a polemical book that is difficult to ignore. However, as a significant number of scholars have counter-argued, Peckham is just as polemical and ideological as some of the dependentistas he criticised, and he is

trenchant critics from the non-Marxist camp, Packenham (1992) shares similar methodological premises with Lall, but what makes his critique worth mentioning here is the strident allegation that the entire dependency approach is patently an unscientific, tautological and politicized 'scholarly' endeavour. On a primarily epistemological basis, Packenham (1992) argued that a scholarly endeavour is only scientific when independent empirical facts are utilized to falsify hypotheses arising from a nomological-deductive theory, and thus having its roots in Marxism the dependency approach is utopian, unfalsifiable and politicized. No doubt Peckenham is right in the sense that much of the dependency approach one way or another partakes of the core premises of Marxism. However, what he fails to understand is that identifing with Marxism is not prima facie proof of being unscientific, since whether or not to qualify Marxism as social science depends on one's benchmark for science. Therefore, for one like Packenham who is a combatant logical empiricist in the epistemological tradition of Karl Popper, the dependency approach can be viewed as unscientific, but it must be borne in mind that this naive mode of inquiry was renounced as untenable more than four decades ago. Today, it is widely accepted that facts are inescapably theory-laden, so they are never truly as independent as expected in the Popperian sense. Hence, hypotheses, as well, can never be falsified in the strict sense of Peckenham's criteria for being regarded as science. In other words, no one today can truly assert that any epistemology is so superior as to claim the mantle of Science single-handedly.

Needless to say, not all critiques are as sweeping and unfair as Peckenham's. In one non-Marxist variant, Stephan Haggard (1990) presented a reasonable critique which adroitly draws attention to overlooked shortcomings of the dependency approach. From a comparative political economy perspective, Haggard not only provided a critique of former dependency studies, but by drawing on East Asian cases, he also offered new evidence on how different state policies and paths of industrialization lead to different developmental outcomes under conditions of dependency. Haggard (1990) rightly stressed how much dependency writing ignores and obfuscates the independent policy choices of states and the wide variation in their responses to the constraining conditions of dependency. By comparing Latin American dependency with the East Asian cases, he argues that dependency is as much an effect of national policies, and the developmental role of multinational firms is only an intervening variable in the

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blinded by his obsession to eradicate dependency thinking from academia no matter what intellectual and practical value it offers.

formation of different development paths. Therefore, despite the conception of many dependency authors, the international economic system, for Haggard (1990), is not a rigidly determined structure that produces dependency relations unilaterally, but a set of shifting constraints in which states learn and develop an array of manoeuvres in dealing with situations of dependency. Hereby, Haggard's comparative look does not invalidate the basic dependency insight but offers a differentiated conception of international constraints by giving state responses and policies more elbow room in the analysis of dependency.

2.3.2 Marxist Critiques of Dependency

Many Marxists remained rather unresponsive in the earlier stages of the debate initiated by the dependency school. However, the silence of Marxists was broken in the early 1970s, not for the purpose of sidelining the contributions of the dependency approach, but rather to put dependency analysis on an employable track. Such critiques mainly revolved around questions such as: how effective is the conception of capitalist penetration and underdevelopment in the dependency approach? How and to what extent do dependency studies take the dynamics of class struggle and relations of production into their analysis of dependency relations? How and to what extent do external and internal factors shape dependency relations? As in the non-Marxist variant, while some of these critiques are instructive and thought-provoking, a considerable number of them are sweeping and insensitive to the diversity and richness of modes of explanation in the dependency school. Again as in the non-Marxist variant, many Marxist critics failed to capture the dependency perspective in its complexity and entirety, since they mostly targeted particular group of dependency studies, mainly represented by Frank (1969, 1978), Wallerstein (1973, 1974) and Amin (1976). Therefore, the barrage of Marxist criticism directed at these authors often turned into a blanket condemnation of all dependency studies. Keeping this handicap in mind, this sub-section engages with these critiques in an empathetical and yet critical manner in order to later build on an operationally valid conception of dependency, arising out of these storms of criticism.

Although Marxist critiques differ in many aspects, most of them one way or another partake in Marx's early optimistic belief in the inherently dynamic nature of capitalist development in the periphery. Therefore, they are highly critical of the notions of underdevelopment and dependency, which are often thought of as inseparable as if the

latter necessarily leads to the former as long as the peripheral social formation remains attached to the world capitalist system. Such a stagnationist way of thinking, that underestimates the prospects of capitalist development in the periphery, is commonplace not only in the writings of neo-Marxists and early dependentistas such as Baran (1968), Frank (1969) and Amin (1974, 1976), but also in the works of structuralist approaches to dependency such as Sunkel (1972, 1973) and Furtado (1970). One of the harshest critiques of such stagnationist thinking came in 1973 when Bill Warren, a notable British Communist, systematically questioned the hypothesis of the development of underdevelopment. Warren (1973) launched a frontal attack on the thesis that imperialism (in a sense, capitalist penetration) poses an obstacle to domestic capitalist development in the periphery. Warren's work (1973) empirically argued that considerable capitalist development, which meant industrialization in his understanding, had already taken place in the peripheral countries, particularly since the Second World War. Contrary to Baran and a stream of stagnationist writings in the early dependency school, Warren (1973, 1980), in a highly optimistic manner, counter-argues that imperialism and capitalist penetration facilitated capitalist development in the periphery by breaking down static and archaic structures and thus paving the way for industrialization. Therefore, potential obstacles to development should not be sought among external factors, but among internal contradictions in peripheral social formations.

In fact, Warrenite criticism of the dependency school is correct in some aspects, since a series of empirical studies have revealed that the development of underdevelopment thesis and the stagnationist assumptions in dependency thinking are no longer tenable, with the spread of core-like industrial activities to peripheral countries and the rise of newly industrialized countries as mass manufacturing hubs. However, we should still approach these sorts of critiques with caution for two reasons. Firstly, such criticisms cannot be applied to the whole dependency school, since some eminent dependency authors such as Cardoso and Faletto (1979), Dos Santos (1970), Evans (1979, 1982) and Palma (1978) must be excluded due to their recognition of the historical progressiveness of capitalism in Latin America.[9] Second, an unquestioned optimism regarding the

[9] Dos Santos' work on the 'New Dependency' and Cardoso's well-known conception of associated-dependent development had already moved beyond the stagnationist trap in dependency thinking, well before these criticisms. However, since their works were first published in Spanish in the late 1960s, the English-speaking world only became familiarised with their ideas in the 1970s (Dos Santos, 1970; Cardoso, 1973), when the dependency school was being subjected to a storm of criticism.

progressiveness of capitalism in the periphery commits an opposite error by overestimating the developmental role of capitalist penetration, and by obscuring the reproduction of new power asymmetries and economic unevenness through constant revolutionizing of production relations.[10]

Another relevant and frequently articulated criticism levied against the dependency school is that dependency analysis overrates the determinative role of external factors and neglects the power of internal forces, which also constitutively shapes development trajectories in the periphery. In this respect, the critiques of Marxist authors such as Brenner (1977), Bernstein (1982), Week and Dore (1979), and Petras (1981) come to mind here. Putting more emphasis on the dynamics of class struggle and relations of production, authors like Brenner (1977) and Week and Dore (1979) argued that internal forces rather than external circumstances had considerable influence on dependency relations and capitalist development in the periphery. Put another way, this line of thinking does not simply advocate excluding external relations, but starts the analysis of dependency by looking into the contradictions internal to each country. In a similar manner, Bernstein (1979, 1982) argued that the dichotomous thinking of external and internal should be transcended by analysing any social formation within its specificity as a complex expression of class struggles and social relations of production. Similar points were also held by Petras (1981) and Petras and Brill (1985) who examined the globalist dogma in dependency and world system approaches. Petras (1981) emphasized that the transformation of a peripheral social formation through its insertion into the capitalist world economy must be viewed as a ceaseless reciprocal relationship between class forces and relations of production within that social formation and those that operate on a global scale. Nevertheless, the globalist perspective in dependency and world system approaches depicts a scenario of domination in which the periphery and class forces within it are conceived of as if they were ready to be shaped and exploited by the core as passive bearers of external factors.

Again, this line of criticism is more appropriate when levelled against the Frankian type of dependency studies or world system theory in general. A specific segment of dependency writers like Frank, or 'external dependency' reformists like Sunkel and Furtado, hold the view that external forces are the prime determinants of dependency

[10] For a brilliant critique of Warren's stupefying fascination with capitalism and the progressive role of imperialism for the periphery, see Ahmad's (1983) chapter in which he adopts a more nuanced approach by properly drawing on Marx's and Lenin's writings.

and underdevelopment. This line of thinking is inherently lodged with much of the neo-Marxist approaches which conceive the capitalist world economy in a functionalist manner, as if it was an abstract system independent of its constituent parts and inner dynamics. Such a holistic bias in theorization utterly goes against the conception of systemness in Marxian usage as a dialectically operating entity. To a greater extent, dependency authors such as Dos Santos, Cardoso and Faletto, and Evans, once more are exempt from this indictment.

Last but not least, at the heart of all these critiques, the conception and theorization of capitalism in dependency studies has been highly questioned by Marxist critics. Dependentistas have been charged witheing economistic, static, reductionist and mechanistic in their analyses of capitalist development and underdevelopment in the periphery. Dependency theory has allegedly remained economistic in the sense that the roles of social classes, politics, the ideology and the state have been overshadowed by economic determinants of the world capitalist system (Leys, 1977). Essentially, dependentistas theorize capitalism though categories such as commodity production, the market and exchange relations rather than social relations of production, class dynamics and modes of production (Bernstein, 1979; Johnson, 1985). Due to the placement of dependency analyses in the sphere of circulation rather than in the social relations of production, dependentistas are doomed to adopt a mechanistic and static position which incorrectly assumes that the process of capitalist development in the periphery is mechanistically determined by the world capitalist system. Their position is also regarded as static because such a mechanistic understanding of development and underdevelopment takes dependency as a given, only subjected to change in its form but not to decline or fade away as a phenomenon.

Again, such criticisms concerned with the conception and theorization of capitalism are true to a certain extent, and more appropriate when applied to some dependency authors but not all. In the strictest sense, most dependency writers, such as Frank, Dos Santos, Marini and even Cardoso, have been charged with lacking a class analysis in theorizing capitalism and underdevelopment in the periphery (Henfrey, 1981; Myer, 1975). As more reasonable and prudent critics like Johnson (1983, 1985) have argued, scores of books and numerous articles guided by the dependency perspective fall mainly within the class analysis framework in some sort. Therefore, they aimed to employ a method of class analysis in changing degrees but of the wrong kind (Johnson, 1983). In fact,

excessive deterministic zeal and under-emphasis on class analysis is more commonly held among dependency writers such as Frank and Marini, but cannot be extended to those like Cardoso and Evans, as if they overlooked internal structures and class struggles in their analysis. However, Cardoso's conception of class has also been subjected to Marxist critique (Myer, 1975; Johnson, 1983). Of course, Cardoso did not adopt a universal and orthodox Marxist view of classes in its strictest sense, but his conception of class has a broader zeal, containing structural and institutional factors, gender, race, ethnicity as well as religion, all of which could be utilized for the functioning of peripheral societies. In a nutshell, as Larrain (1989) argues the Cardosian version of dependency does not obscure or replace Marxist analyses of class, relations of production and productive forces. However, it contextualizes them with respect to the specificity of capitalist development in the periphery as once hinted at by Marx in all but name in his discussion of a new and international division of labour (Larrain, 1989, pp.200-201).

2.4 Moving Beyond the Theoretical Impasse: Towards an Analytically Applicable Conception of Dependency

As argued so far, the critique of the dependency school has gone so far that even employable aspects of the dependency perspective have been defamed as an outcast way of thinking. To put it more clearly, criticizing the dependency approach, as Haggard (1990, p.19) states, has become an academic industry of the worst sort. Its vulgar formulations have been vehemently denounced; its overall contribution and more erudite versions have been ignored. Thus, as many state, such criticism has threatened to throw away the baby with the bath water (see Larrain, 1989; Ghosh, 2001; Abbott, 2003 Holloway, 2003). From this point of view, this section aims to explore the validity and critical spirit of the dependency tradition in order to move towards an analytically applicable conception of it for the study of underdevelopment today. As the forgoing discussion has given a preliminary idea that the dependency approach is gravely flawed, particularly by virtue of the efforts of some practitioners who employed it as a fully-fledged and autonomous theory, as in the vulgar dependency writers, or as it is employed by some critics in a positivist, hypothetically-deductive manner. Nevertheless, the real value of dependency thinking still offers a viable IPE framework as far as it employs Marx's methodological approach of historical materialism to provide a detailed analysis of dependency in peripheral social formations as an

expression of changing class relations.[11] In fact, such an approach lets us abstain from a mechanico-formal theory of dependency by instead viewing dependency as a concrete situation of late capitalist development in the periphery.

Such an approach to dependency is mostly associated with a particular kind of dependency analysis famously labelled associated-dependent development, spearheaded by Cardoso and Faletto (1979) and later utilised by many others.[12] It is no wonder that this new wave of thinking has significantly diverged in various aspects from the earlier theories of dependency. What really makes the Cardosian version of dependency studies distinctive and analytically appealing is the method of historical-structuralism which allows its practitioners to move beyond the theoretical flaws surrounding earlier dependency analyses.[13] Unlike the mechanico-formal theorization of dependency, this line of thinking adopts a more complex and flexible conception by examining concrete situations of dependency which emerge through historical specificities of particular social formations such as configurations of class forces, peculiarities of state-society relations and social relations of production. In this manner, the historical-structural approach to dependency employs a sort of historical materialist approach in analysing capitalist development in the periphery.

Shifting the focus of analysis from exogenous, structural, market- and exchange-based relations to domestic economic/political alliances and socio-historical peculiarities, the Cardosian version of dependency thinking has paved the way for a multidimensional, historically-sensitive and class-relational analysis of dependency relations. For authors in this tradition, dependency is not simply either an external phenomenon or an internal one, but is conceived through the interaction between internal and external elements, all of which form a complex and interwoven whole to be explored (Cardoso and Faletto, 1979). In other words, Cardoso and Faletto aspire to explore diversity within the unity of different historical phases, rather than searching for unity with diversity as the Frankian variant of dependency has done. In so doing, they have developed a

[11] Stressed in different ways, the contention that the dependency perspective is viable as long as it applies a historical materialist approach has so far been held by many scholars, such as Palma (1988), Larrain (1989), Abbott (2003) and Domingues (2013).

[12] See Evans (1979), Gereffi (1983), Lim (1985) and Gold (1986), and more recently Abbott (2003).

[13] As was argued in perhaps the most widely cited review of dependency literature (Palma, 1978), the historical-structuralism is considered to be heuristically the most fertile and possibly the only viable variant of the dependency school. For an in-depth and excellent version of this discussion see Palma's (1989) unpublished PhD thesis at the University of Sussex, *Development, Dependency and Marxism: A Critical Reappraisal and Case Study of Chile*.

dependency perspective that is more sensitive to the question of how internal factors such as class formations, social and economic alliances, and political processes interact with external forces and determinants in shaping the dynamics of dependent development. Therefore, in the Cardosian lexicon, a situation of dependency is not mechanically determined and unilaterally imposed by external and structural factors, but the particular domestic configuration of a peripheral social formation develops a specific response within a series of external limits and parameters, historically set by the capitalist world economy.

This stream of thinking analytically provides broader room for peripheral countries to undertake actions to redefine patterns of dependency in their own interest, depending on their internal class alliances and political coalitions. In this respect, the state of dependency is not necessarily or directly associated with backwardness or underdevelopment of the periphery, as initially argued by reformist dependentistas such as Furtado or notoriously articulated by the Frankian model of dependency. In contrast to many other dependency authors, Cardoso (1972, 1973) did not adhere to a stagnationist conception of dependency and argued against the development of underdevelopment thesis by revealing that both development and industrialization take place in the periphery despite the continuity or even the escalation of a state of dependency.[14] By allying with local capital and bargaining with multinational corporations, peripheral states can pursue certain development policies, whether outward oriented or inward-oriented, with the aim of securing capital accumulation for their own interests (Cardoso, 1972; Evans, 1976). Based on the historical experience of Brazil, it was Cardoso (1973) who first shifted focus to the question of how the ongoing interplay between the state, domestic bourgeoisies and multinationals generates structural change and economic dynamism in the capitalist development of the periphery. In a word, for the Cardosian variant, dependency's links with the international economy does not make development infeasible, but produces and

[14] Contrary to stagnationist claims, Cardoso (1972) vehemently rejects the notion that when the links of dependency intensify, growth and development falter, and when they are loosened, growth gets better. Therefore, he carefully distinguished his approach from the mechanistic formulations of dependency by coining the term associated-dependent development. In a similar vein, Palma (1989) argued that underdevelopment of the periphery cannot be attributed to dependency per se, as it is inherent in capitalist development in its general terms, even though underdevelopment has some peculiarities in dependent social formations that need to be explored.

reproduces substantial contradictions to be overcome if a peripheral country aims to change its position in the international division of labour.

Carefully building on the notion of associated-dependent development, Evans (1979) proposed a sophisticated analytical framework to analyse the mechanisms and outcomes of dependent development. In a similar vein to Cardoso, he rejects any economistic and mechanical conception of dependency relations by which a country is doomed to stick in a state of underdevelopment due to its economic and technological reliance on the world capitalist economy. Rather, dependency is conceived as a historical process of late capitalist development which manifests itself through the interaction of domestic classes and political/economic alliances with classes and groups in the world economy. What really makes Evans' work analytically notable for the analysis of dependency relations is the centrality of the well-defined notion of the triple alliance, by which he refers to an ongoing interplay among transnational corporations, the state and local industrial capital as the three main pillars of dependent capitalist development. The relationships among these three main actors are seen as both cooperative and conflictual, since each possesses different interest, objectives and leverages (Evans, 1979, pp.34-50).

Based on a close analysis of the triple alliance, Evans (1979, p.52) hypothesized that there are "no irreconcilable differences between local industrialists and the multinationals or between the state and multinationals" even though the relative dominance of each actor may differ from industry to industry, by country, or over time. This hypothesis clearly stands in contrast to earlier articulations of the dependency approach that see the relationship between multinationals and local capital, or multinationals and the state, as inherently conflictual, necessarily leading to the capitulation of local capital to imperialism. Based on the simultaneous possibility of an alliance and robust bargaining, neither the dominance of multinationals nor the subordination of local capital is taken for granted. Rather it is assumed that both local capital and the state enjoy certain political and economic advantages vis-à-vis multinationals, varying from industry to industry and over the course of time. As a result, forming the dominant class constellation of the domestic social structure, the three partners of the alliance, to a large extent, have common interests in capital accumulation and in the subordination of the mass population.

In sum, the Cardosian version of dependency thinking to a greater extent moves beyond the theoretical flaws surrounding earlier dependency analysis. Particularly, by employing different articulations of the method of historical-structuralism, the Cardosian variant does manage to avoid the totalising, deterministic, stagnationist and reductionist conception of dependency relations. It is fair to say that due to this historically-dynamic, non-stagnationist and class-relational reading of dependency relations, the Cardosian variant, to a considerable extent, still offers conceptual and analytical insights for addressing today's development problems, particularly in the global periphery. Since the issues that inform the dependency perspective have not disappeared in today's global economy, the notion of dependent development is still with us and still appeals to some scholars to various degrees and with different ideological hues.[15] Therefore, despite being mostly considered a paradigm of the past, the Cardosian approach to dependency still holds relevance today on several counts.[16]

First and foremost, the polarizing tendencies of the world economy are still at work and continue to generate economic divergences both between and within countries. The convergence in industrialization levels and the rise of NICs have not heralded neither 'the end of the Third World', as Harris (1986) has propounded, nor 'the disintegration of the Third World' as Killick (1990) has argued. Of course, the collapse of the Soviet Union made the notions of First World and Third World anachronistic, and the spread of production capabilities to the global periphery has led to a global industrial convergence that makes the dichotomy between 'industrialized' and 'non-industrialized' increasingly elusory. Nevertheless, as many reveal (Arrighi, Silver and Brewer, 2003; Schwartz, 2010), the global industrial convergence has not diminished the income and wealth gap between the developed countries of the former First World and the developing/undeveloped countries of the former Third World, and the hierarchical nature of the world economy remains a fundamental dimension of contemporary global dynamics. Moreover, the nature of the contemporary global economy also gives currency to the Cardosian variant of dependency analysis, since the emergence of global production and trade has not only intensified the links and interactions among states,

[15] See Abbott (2003), Birch and Mykhenko (2009), Nolke and Vliegenthart (2009), Kohli, (2009) Domingues (2013), Becker and Jäger (2010).

[16] For different interpretations regarding the relevance of the dependency approach in the neoliberal period, see Kay (1993), Kay and Gwynne (2000) and Ghosh (2001). For how the concepts and some central ideas of dependency theory are rephrased in the development discourses of some globalization theories, see Herath (2008).

local economic elites and transnational capital, but also asymmetrically redefined their structural and bargaining power vis-à-vis each other. As the Cardosian version of dependency analysis offers a unified and interdisciplinary *historico-social* framework for examining the mechanisms and power asymmetries shaping the world economy, it continues to provide analytical insights for the development problems of today.

However, to say that the Cardosian or historical-structural dependency perspective still has relevance and explanatory power does not, no doubt, mean that the it is without shortcomings and limitations of its own. Indeed, the shortcomings and limitations of historical-structural dependency studies have become much more apparent today, given the global restructuring of the world economy and its impacts on developing countries since the early 1970s. Perhaps one of the most salient limitations of the Cardosian version of dependency analysis is that it is deprived of an up-to-date and systematic framework in which to examine the dynamics of the new global division of labour and the far-reaching structural restructuring the global periphery has undergone in the last 35 to 40 years. Today, it has increasingly become apparent that the traditional division and the classic relationship between the core and periphery of the world economy has become vaguer under the transnational and integrated system of production and trade.

As two of the most salient aspects of the contemporary world economy, the globalization of production and trade have to a considerable extent narrowed the gap between developed and developing countries in terms of industrialization. With their highly diversified export-oriented manufacturing capacity, the NICs of the global periphery have not only caught up with but overtaken the developed world in their levels of industrialization. These changes have not only redefined the hierarchical and asymmetrical relations in the world economy, but also encourage part of the global periphery to reinsert into the world economy on the basis of more competitive branches of production and high-value industrial niches. Since it was mostly employed in the late 1970s and early 1980s, the Cardosian version of dependency analysis offers a conventional and basilar industry analysis, mostly looking at concrete situations of dependency based on the interplay among the main actors of the alliance. However, it has little to say about how recent changes in the nature and governance of today's global system of production and trade sets economic and political parameters for the matter of development in the global periphery.

Moreover, the global convergence in industrialization levels and the emergence of NICs not only bring a bifurcation or differentiation within the global periphery, but also revive the matter of the state's role in economic development and in the reduction of economic vulnerabilities and constrains. In this respect, the development experience of East Asian NICs offers a different social, historical and geopolitical context to rethink and revise limitations of the notion of dependent development with respect to the developmental role of the state.[17] In fact, the Cardosian version of dependency analysis puts special emphasis on the role of the active and entrepreneurial state in dependent capitalist development and in the successful process of capital accumulation.

However, it remains limited due to the lack of a well-crafted, all-round conception of how the developmental role of the state in dependent development comes into being in various ways and differs significantly from the one that has been observed in the rest of the developing world. A comparative look at class-relational analyses of East Asian developmental states provides valuable insights to move beyond previously slighted aspects of the developmental role of the state, which was less salient in the Latin American socio-historical and geopolitical context. Such a comparative approach to the matter of dependent development also unearths another related limitation, common to many historical-structural analyses. The overemphasis on the interplay among the three main actors of the triple alliance with respect to the matter of industrialization may run the risk of neglecting the role of broader class configurations and inter- and intra-class conflicts in the formation of development-oriented alliances and states apparatuses.

2.5 Conclusion

As discussed so far in this chapter, given its complex intellectual roots and variety of analyses, the dependency approach has a highly abstruse diversity within itself, which leads critics to treat this broad church of thought as if it was a single theory whose fundamental premises were shared by its adherents. In this respect, the analytical value and contemporary relevance of the dependency tradition have remained largely clouded by the outright dismissal and misplaced critiques, particularly in today's development

[17] For some scholars (Amsden, 1979, 1985; Sanchez, 2003), the rise of East Asian NICs has not only called into question the tenets of the dependency approach, but also brought the demise of the dependency school, believed to be completely at odds with the East Asian Miracle. Indeed, the East Asian experience adds fuel to the fire that has burned out some of the simplistic and mechanical propositions with which the dependency approach became burdened. However, studies (Gold, 1986; Lim, 1985; Evans, 1987; Haggard, 1990) have revealed that the rise of East Asian NICs does not invalidate the dependency school altogether, but rather requires further cases and reinterpretations for the propositions of the historical-structural version of dependency thinking.

discourse. Contrary to this general tendency, the chapter has explored the broad array of dependency analyses, revealed their main differences, and discussed the most relevant criticism levied against them. It has been contended here that the dependency approach certainly has many shortcomings, particularly when it comes to some of its practitioners who convert it into an ahistorical, fully-fledged and formal theory of underdevelopment.

Besides, it has also been argued that historical-structural dependency analysis, as a method for the analysis of concrete situations, offers relevance and analytical value in examining the mechanism of underdevelopment and dependency, even under the new dynamics of today's global economy. However, despite its relevance, heuristic value and explanatory power, this chapter contends that it needs to be re-examined and re-articulated with a fresh look, given the limitations and shortcomings explored so far. In fact, the Cardosian version of dependency analysis offers a basilar IPE framework for examining underdevelopment, but a straight employment of it runs the risk of conceiving today's global political economy in an anachronistic way. Therefore, as has been argued by many sympathetic reviewers (Kay, 1993; Albott, 2003; Domingues, 2013), any revisiting of dependency perspective needs not only to examine the specific forms that dependency relations take in each social formation, but also to analyse it in relation to the recent structural shifts in the global economy, and changes in the function and characteristics of state structure. Thus, moving from this point of view, the next chapter aims to builds on and extends the historical-structural dependency analysis by drawing on a set of conceptual insights from Schumpeter's theory of innovation, Global Value Chain analyses and a class-relational conception of the developmental state. The purpose here is not to advance the critique of the Cardosian version of dependency analysis, but to offer an operational framework to employ its central tenets and viable aspects in a more up-to-date, systematic and comprehensive manner.

CHAPTER 3

Conceptual Framework: Revisiting the Dependency Approach in the Age of Globalization

3.1 Introduction

A lot has changed since the heydays of the 1960s and 1970s, when the dependency perspective was adopted as an explanatory framework for the study of underdevelopment. Today, the international economic and political landscape is quite different from when the assumptions and tenets of dependency analyses were being vehemently formulated by its proponents. However, as discussed in the previous chapter, what makes this approach, particularly that associated with the Cardosian version, analytically viable is its potential to offer a basilar conceptual framework for conducting a historically-sensitive and class-relational analysis of changing dependency situations in peripheral social formations.

Hence, the notion of dependency in this research is employed in a critical and selective manner. Rather than taking dependency as a general theory of underdevelopment in its structuralist and economistic sense, this study embraces and builds on an articulation of the historical materialist approach, which lets us comprehend concrete mechanisms of dependency through systems of global class relations, changing state-society complexes and social relations of production. Thus, having conceived dependency as a concrete situation, this chapter moves from a particular kind of dependency approach called *associated-dependent development*, in which the rate and direction of capital accumulation, and prospects for economic and social development are conditioned, based on diverse forms of interplay between domestic and international factors.

In Evans' (1979) account, dependent development refers to a set of distinctive features in the capitalist development of peripheral social formations, such as the accumulation of capital, the growth and diversification of industrial production, the emergence of a sophisticated state structure and the restructuring of class relations. The outcome of dependent development varies given the diverse nature of state-society relations, class configurations and geopolitical conditions in peripheral social formations. Nevertheless,

in broad strokes, it combines a considerable degree of structural change and economic growth with unequal forms of appropriation of internationally created surplus value, which is in turn accompanied by economic/social/political disarticulations and exclusions on the side of the periphery.

The starting point for any analysis of dependent development is what Evans (1979) calls the triple alliance of the multinationals, the state and the domestic industrial bourgeoisie. Until recently, this offered an integrative framework for examining the political economy of dependent development, not only in Latin American countries but also in East Asian cases. Even today, the mechanism and outcomes of dependent development, as mentioned earlier, are reproduced in new forms under the dynamics of the current global economy, and therefore the explanatory power of the triple alliance still offers valuable insights into new situations of dependent development in today's global periphery.

Thus, taking sides with historical-structural dependency analysis and building on the notion of the triple alliance, this chapter aims to develop an up-to-date and analytically operational framework of new forms of dependent development under the dynamics of contemporary globalization. The chapter builds on and extends the notion of dependent development by selectively drawing on a set of conceptual tools and insights from Schumpeter's theory of innovation, Global Commodity Chain/Global Value Chain analyses and a class-relational articulation of the developmental state. The first section reveals how the polarising tendency of the global capitalist economy has continued to produce and re-produce inequalities and disparities in socio-spatial terms. I conceive this current process of global stratification and economic disparities through both global class relations and a socio-spatial reconfiguration of the core-periphery model. Critically drawing on Schumpeter's theory of innovation, this section explores how core-like and periphery-like activities have not only clustered in time but also space, giving currency to new forms of dependent development. This section then broadens the proposed framework by elucidating how new forms of dependency situations are concretised along hierarchically-structured global value relations, which are by and large dominated by leading TNCs, but at the same time conditioned in socio-spatial terms by ongoing interplay between TNCs, the state, local bourgeoisies and labouring classes.

Originally taking sides with historical-structuralism, this framework also stresses the drawbacks of the firm-centric, techno-industrial and market-based analysis that surrounds current GVC literature. Although admitting the utility of chain analysis, this framework rather argues that any engagement with GVC analysis should be carried out within the domain of political economy and the sociology of development. The second section aims to transcend these drawbacks by putting the matter of dependency and upgrading along value chains into a wider social, institutional and class-based context. Drawing on the works of East Asianist dependentistas and developmental state literature, section two propounds that a closer study of the broad variations of state-society complexes, historically-given class-configurations, state institutions and development strategies offers valuable insights into the matter of dependency and economic/social upgrading along global value chains. This section develops and utilises a class-relational articulation of developmental state analysis, in which the matter of economic and social upgrading is better conceived as the process of resolving a set of collective action problems that inherently lie at the bottom of inter- and intra-class conflicts and contested interests among various groups (both domestic and international). Thus, deriving insights from a class-relational articulation of the developmental state, this section offers an analytically integrative framework that complements our earlier discussion on the reproduction of socio-spatial inequalities and dependency along global value chains. Lastly, after proposing such a complementary analytical framework, the final section concludes with an overview of the chapter and gives final remarks on the proposed framework.

3.2 The Global Economy and Reproduction of Dependent Development

Since the diverse situations of dependency are to a considerable extent produced and reproduced by the global expansion of the capitalist system, the starting point for dependency analyses has traditionally been the manifold relationships that social classes and the state have with the external world. Development is not a phenomenon that comes into being within a country in isolation, but rather a process that is conditioned and limited by what is happening in the international/global context of capitalism. To analyse the development outcomes of dependency relations on the global periphery, it is therefore essential to understand the international/global context in which peripheral social formations are embedded. Therefore, any revisiting of the notion of dependent development requires not only an analysis of changing forms of class configuration and

the state structure within a particular social formation, but also a priori analysis of the structural changes in the international/global context of the world capitalist system.

International dependency relations in the classical sense take place through the metropolis-satellite networks in which the economic and social development of a dependent country is conditioned by the expansion and development of the other(s). For many years, such a conception was common among dependency thinking because the dynamics of world capitalism were predominantly structured within the nation state framework, one way or another. Such antecedent understanding of dependency found its most typical expression in Dos Santos' (1970, p.231) frequently-cited definition:

> The relation of interdependence between two or more economies, and these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or negative effect on their immediate development.

Such a conception of dependency is a product of the 1950s and 1960s, when production tended to be organized alongside national borders, and international trade was, to a large extent, composed of raw materials from peripheral countries and manufactured exports from core countries. Throughout the 1970s and 1980s, this state-centric view of dependency relations was problematised with the restructuring of production and trade under the emerging dynamics of global capitalism; although the earlier appraisals of these shifts in the world economy and their impacts on dependency relations were again articulated within the dependency school. In this respect, Cardoso and Faletto have propounded that:

> There is no such thing as a metaphysical relation of dependency between one nation and another, one state and another. Such relations are made concrete possibilities through the existence of a network of interests and interactions which links certain groups to other social groups, certain classes to other social classes. (Cardoso and Faletto, 1973 cited in Evans, 1979, p.27)

Such an understanding has not only challenged the state-centrism of the dependency approach, but also blazed the trail for analysis of dependency in relation to structural shifts in the world economy that were later categorised under the buzzword 'globalization'. Based on such an approach, dependency relations started to be understood in increasingly class-bound and transnational terms, which take the matter of internationalisation seriously. However, the rise of contemporary globalization has triggered the idea that the dependency approach should be transcended or even abandoned. One of the earliest expressions of this idea was Cox's (1981) argument that

core/periphery relations were better conceived primarily though global class relations and hegemonic block categories. Intentionally or unintentionally in a similar vein to the Cardosian version of dependency analysis, Cox (1981) argued against state-bound and exchange-focused dependency thinking by dialectically exploring the social relations of production and the transformative role of global class structures on national classes. One of the first radical scholars of post-imperialism, Cox has however said very little about whether and how the internationalization of the state, associated with the internationalization of production, generates new forms of socio-spatial inequalities and dependency relations.

The critique of state-centric dependency has gone so far as to obscure the intrinsically asymmetric and polarizing nature of global capitalism, which generates socio-spatial inequalities and reproduces new forms of dependency relations alongside national borders. Such a negligent reading of emerging global capitalism found a more vehement expression when Harris (1986) professed that the emergence of a global manufacturing system brings a new and levelling division of labour that cuts across national boundaries and makes dichotomies such as North/South or core/periphery increasingly obsolete. Harris's argument has enjoyed wide credence among recognized doctrinarians of globalization such as Hoogvelt (1997), Castells (2000), Hardt and Negri (2000), and Robinson (2002).[18] One of the most radical articulations of this idea appeared in Hardt and Negri's hotly-debated book *Empire*. They argued that due to the 'unifying process of capitalist development and the transition from the industrial to informational economy, geographical demarcation as North-South is no longer tenable, but rather the core and the periphery have clearly infused into one another' (Hardt and Negri, p.334).

These and similar contentions arise from a one-sided reading of structural shifts in the world economy since the crises of the 1970s and 1980s. No doubt, as two of the most widely accepted aspects of the global economy, the restructuring of production and trade on a global scale has reshaped international divisions of labour to a considerable extent. Contrary to the post-war expansion of world capitalism in the 1950s and 1960s, the dismantling of production processes accompanied by dynamic growth in world trade has narrowed the gap between core and peripheral countries in terms of

[18] For Castell (1996/2000), due to the diffusion of networking logic as the new social morphology of today's global system, the world is no longer divided between north and south, but between localities and people that are on/off the emerging networks of global system. Castell's networking logic was later adopted and reformulated in Hardt and Negri (2000), who synthesise it with a Foucauldian analysis of biopolitics.

industrialization. The global spread of manufacturing capabilities to former peripheral economies makes dichotomous denominations such as ‘industrialized’ and ‘non-industrialized’ increasingly untenable. Moreover, production is increasingly taking place in the framework of global value chains through which capital-, technology- and knowledge-intensive processes are dispersed to a greater number of countries, including developing ones. All these structural shifts become more obvious as time goes by. However, the question remains: whether all these changes have brought economic and technological convergence between peripheral and core countries, and diminished the income gap between them in socio-spatial terms.

In response to this question, Arrighi et al. (2003, pp.12-16) suggest that despite widespread convergence in levels of industrialization, the development gap and income disparity between the Global South and Global North have not been diminished but reproduced. Their findings reveal that the South as a whole converged with and even in some cases overtook the North in terms of industrialization levels. While the north’s manufacturing sector comprised 28.9% of GDP in 1960, it later incrementally descended to 24.5% by 1980 and to 19.8% by 1999. On the other hand, the percentage of manufacturing in the South’s GDP exhibits an opposite trend, ascending from 21.6% in 1960 to 24.3% in 1980, with a slight fall to 23.3% in 1999.[19] Thus, the Global South’s percentage of GDP in manufacturing as a percentage of the Global North’s rose from 74.6% in 1960 to 99.4% and 118% in 1980 and 1998, respectively. However, Arrighi et al. empirically prove that the convergence in industrialization levels has not been accompanied by convergence in levels of income. As a proportion of the north’s GNP per capita, GNP per capita in the Global South has remained almost stagnant, with very slight changes from 4.5% in 1960 to 4.3% and 4.6% in 1980 and 1998, respectively (Arrighi et al., 2003, pp.12-16).

The persistence of north-south income disparity, despite apparent industrial convergence, reveals that the polarizing tendency of the world capitalist system is still at work and continuing to reproduce economic disparities between different socio-spatial entities. Despite the bifurcation within the global south – due to conspicuous cases such as South Korea and Taiwan – geographical asymmetries in income levels remain among the premier issues informing the notion of dependent development. As mentioned

[19] The United Nations Industrial Development Organization’s report reveals very similar figures regarding the period between 1980 and 2000. See UNIDO (2004, p.137).

earlier, under the dynamics of contemporary globalization, core/periphery relations are better conceived though global class relations, but a special emphasis on socio-spatial and geographical disparities is needed, just as Cardoso (1977, p.20) once argued:

> When one examines the relations between economies of dependent-associated development and the central economies, it is not hard to perceive that the international division of labour persists, based on very unequal degrees of wealth, on unequal forms of appropriation of international surplus and on monopolization of dynamic capitalist sectors by the central countries.

For Arrighi et al. (2003), the conflation of industrialization with development, or industrialized with wealthy, rests upon a partial interpretation of capitalist expansion that deserves further explanation here. Just as Evans[20] (1979, pp.27-28, 36-37) once touched on to elaborate the notion of dependent development, Arrighi et al. (2002) draw on Schumpeter's theory of innovation and Venon's product life cycle model to answer why the current global spread of industrialization is not accompanied by income convergence but new hierarchical structures in today's global economy.

The essential aspect of capitalism, for Schumpeter, is its dynamic and evolutionary nature, which emanates from innovation by entrepreneurs. These entrepreneur-driven innovations, that set and keep the capitalist engine in motion, are broadly defined as the introduction of (1) new products, (2) new methods of production, (3) new sources of supply, (4) new trade routes and markets, and lastly (5) new forms of organization (Schumpeter, 1983). The introduction of industrial innovation and its diffusion generates what Schumpeter (2003, p.83) calls *creative destruction*, which 'incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one'. The process of creative destruction generates two main effects. First, through these innovations, entrepreneurs enjoy the Schumpeterian windfall profits and entrepreneur rents that place them in an advantageous position, on unequal terms in relation to non-innovative, normal businessman. Secondly, innovation generates new equilibria and cutthroat competition, which makes pre-existing productive structures obsolete, and brings widespread losses for the rest (Schumpeter, 2003).

Thus, profit-oriented innovation reshapes and re-energizes capitalism by creating leading sectors clustered in time. Throughout this process of creative destruction, while

[20] To see how transfer of surperprofits stems from the subordination of dependent economies, see Evans' (1979) chapters three and four, particularly the discussion of denationalization and the monopoly control of technology by MNCs.

a small minority of businessmen and firms enjoys exorbitant rates of profit and so economic/political power, the majority is content with modest, if any, profits. In retrospect, creative destruction, as an internal dynamic of capitalism, generated a wave of leading sectors via a cluster of innovations, such as cotton textile, iron and water power (1780s-1820s); steel, steam engines and railways (1840-1870); industrial chemicals, electricity and intra-urban trams (1890s-1920s); the internal combustion engine, petroleum and motor vehicles (1940s-1970s). Drawing on insights from Akamatsu's 'flying geese' model and Raymond Vernon's 'product-cycle' model, Arrighi et al. (2003) hypothesize that profit-oriented innovations not only cluster in time but also in space. They argue that industrial innovation as a spatially structured process tends to appear in developed countries due to a series of favourable conditions, and thereby generates a 'self-reinforcing "virtuous circle" of high incomes and innovations. As mirror-image of this tendency, less-developed countries, like Schumpeter's majority of non-innovating businessmen, reap few, if any, benefits of the innovations since the diffusion of innovation to the peripheral economies tends to become a reality after their routinization (Arrighi et al., 2003, pp.17-18). Thus, as in the state of dependent development, capital accumulation and diversified industrialization occur in peripheral economies, accompanied by the manufacturing of more and more products over time. However, apart from a small number of cases (explained later), this does not eradicate contradictions between core and periphery, since these products continue to share certain characteristics.

Building on and extending Arrighi et al.'s insights, Selwyn (2014) reformulates the notion of creative destruction through an engagement with a Marxian understanding of capitalist competition. With respect to dependent development, what makes Selwyn's reformulation worth mentioning here is its broadened conceptual basis, which grasps global socio-spatial dynamics in relation to both class and international economic relations. In conceptualizing the notion of creative destruction, Selwyn argues (2014, pp.112-114), Schumpeter is indebted to Marx in two aspects. Firstly, creative destruction acclaimed and – one-sidedly – rephrased Marx's comprehension of capitalism's internally-driven transformative nature, which expresses itself through the role of the bourgeoisie in revolutionizing the instruments of production and also the social relations of production. Secondly, Schumpeter's concepts of entrepreneurial profits and rents resemble Marx's surplus and super profit, which arise from intra-

capitalist competition and the capitalist impetus to increase surplus value extraction. However, since Schumpeter intentionally rejects the Marxian labour theory of value and conflictual class relations, his notion of creative destruction is far from conceiving the hierarchical and exploitative nature of capitalist expansion in its entirety.

Drawing on Marxian notions of capitalist competition, Selwyn (2014) moves beyond these limitations surrounding the concept of creative destruction. Selwyn (2014, p.115-116) argues that Schumpeterian entrepreneurial profits stem from the capitalistic impetus to increase the rate of relative surplus value by diminishing what Marx called socially necessary labour time, or what is widely known in mainstream economics as average unit labour cost. In general terms, capitalists, particularly the innovative ones as in Schumpeterian jargon, achieve this objective through introducing new technologies, mechanisation and rationalisation, with the ultimate aim of yielding more and more output per hour of labour. Since the non-innovative or market-follower firms lag behind in adopting the innovations, they tend to compensate for their cost-disadvantages through increasing the rate of absolute surplus value extraction (lengthening working hours) or through immiseration (cutting wages).

While the notion of creative destruction explains how entrepreneurial profits are circulated unevenly among firms, it obscures how underlying class relations co-determine the process of industrial innovation and its diffusion. As Selwyn (2014) argues, Schumpeter adopted a functionalist and elite theory of class, diametrically and purposefully opposed to the Marxian one. In Schumpeterian logic, each social class performs a different role according to its position within the social division of labour, and is rewarded on the basis of its contribution to society. Entrepreneur classes, placed at the heart of the capitalist system, act as the engine of capitalist expansion, and enjoy high rewards based on their technological and managerial innovations. Intra-capitalist competition and entrepreneurs' search for profit lies behind processes of technological and managerial innovation, cycles of boom and bust, and the monopolization of high-profit economic activities.

However, in Marxian logic the process of innovation is also embedded into exploitative and conflictual class relations in which the conflict between entrepreneur classes and labour also constitutes a source of innovation. As the struggle of the labouring classes intensifies, posing an obstacle to increasing rates of surplus value extraction, entrepreneur classes search for new means of re-establishing control over labour

through industrial, organizational innovations (Mandel, 1980 cited in Selwyn, 2014, p.119). As Schwartz (2010, pp.71-73) argues, Mandel's periodization of labour processes and forms of labour organization chronologically overlaps with Schumpeter's leading sectors that clustered in time (see Appendix 9). In short, the introduction of new leading-sector products usually come into being within a new institutional setting, with new labouring processes and organizational forms of labour.

To sum up, through an engagement with a Marxian understanding of capitalist competition, Selwyn (2014) formulates a broadened and crystallized rearticulation of Arrighi et al.'s (2003) insights, which conceive current processes of global stratification and economic disparity both in relation to social classes and socio-spatial dynamics of core-periphery relations. Following Arrighi et al. (2003), O'Hearn (1994), Schwartz (2010) and many others, Selwyn (2014) argues that, in socio-spatial terms, industrial and technological innovation tends to occur within core economies due to various factors, such as: higher incomes generate greater demand and larger market potentials; higher production costs put pressures on entrepreneurs for technical innovation; and greater credit capabilities facilitate the financing of innovations. Therefore, on one hand, market-leading firms in core economies are more likely to benefit from Schumpeterian entrepreneur profits or Marxian surplus profit, and thus are more likely to have greater re-investible capital. On the other, industrial innovation is less likely to occur in peripheral economies, which are mostly populated by market-following firms that end up with relatively modest entrepreneurial profits and are structurally precluded from innovating (Figure 3.1). Complementing socio-spatial dynamics with forms of exploitations that prevail across different economies, Selwyn (2014, p.122) further argues that the market innovating firms that exist mostly in core economies tend to increase their profit rates through relative surplus value extraction. Since the market-follower firms that mostly prevail in peripheral economies adopt routinized technologies and production methods, they are most likely to opt for absolute value extraction or immiseration to raise their profit rates (Figure 3.2).

Figure 3. 1 Marx and Schumpeter on Core and Periphery

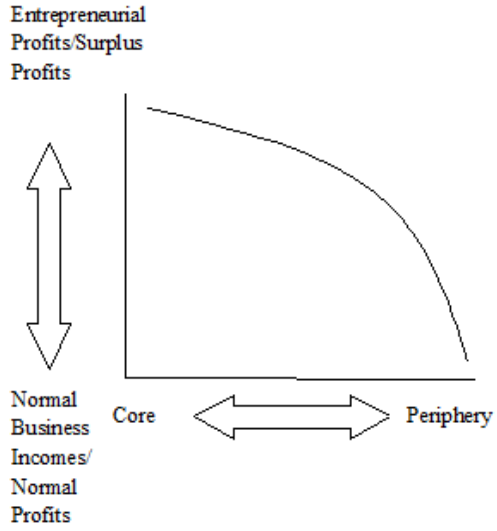
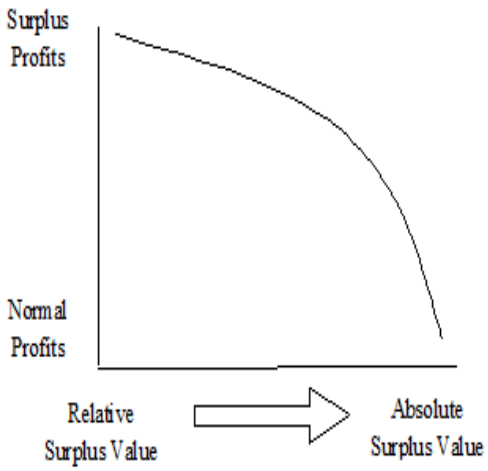


Figure 3. 2 Surplus and Normal Profits- Relative and Absolute Surplus Value



Source: Selwyn (2014, p.117 and p.123)

Although neither Arrighi et al. nor Selwyn explore how concrete situations of dependent development are produced and reproduced through new power asymmetries and economic disparities in today's global economy, they move from a similar point of departure as Evans (1979) adopted in elaborating the notion of dependent development. Evans (1979, p.37) stated:

> The ability to produce new products which other firms cannot replicate is one of the most important source of multinationals' profits. Knowledge is hard to monopolize- harder if its production is not highly centralized. Multinationals have then ever motivation to keep the innovation side of their businesses as close to home as possible. As long as they are free to make that choice, the industrialization of the periphery will remain partial. Facilities for the production of new knowledge will not be located there.

Much has changed since the 1970s, but this analysis reveals that despite the global spread of industrialization and the diversification in industrial outputs in peripheral economies, the economic disparities and asymmetrical power relations between different socio-spatial entities, firms as well as capital and labour, still remain. Since these asymmetrical power relations underlie today's global capitalism, the existence of diverse situations of dependent development across different socio-spatial entities remains a matter of inquiry. Under the new dynamics of global capitalism, these diverse situations are increasingly concretized along global value relations. These global value relations, which are hierarchical and conflictual in nature, come into being through ongoing power conflicts among transnational corporations, the state, local capitals and

labouring classes within a particular socio-spatial entity. Therefore, under the new dynamics of global capitalism, dependency does not refer to a structural and economistic relation between one nation and another or one nation and others, but a series of hierarchical relationships among classes of unequal power that prevails in socio-spatial terms. In this respect, rearticulation of these new dynamics through Schwartz's (1989) mapping of Cardosian dependency relations provides an illustrative pathway.

Drawing on Marx's concept of circulation of capital, Schwartz (1989) proposes a schema which offers abstract but useful insights into how diverse situations of dependency occur through control over capital accumulation. In its simplest form, circulation of capital occurs along a formula: **M→C→ (M+m)**. Basically, the formula means that the money form of capital (M) transforms into commodity capital (C), whose value is realized in sales as money capital with added increment value (m). Schwartz (1989, p.20) then proposes an extended version:

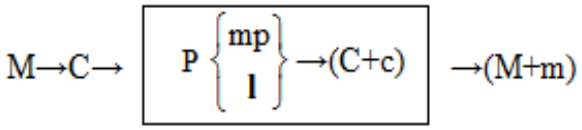
$$\mathbf{M \rightarrow C \rightarrow P\{mp+l\} \rightarrow (C+c) \rightarrow (M+m)}$$

Here money capital transforms into commodity capital through purchase of raw materials and intermediate goods, before entering into production process in which they are added to productive capital (means of production (mp) and labour power (l)). They are then transformed into new commodities (C+c) which contain more value (c, added increment**)** that capitalists extract from the labouring classes. Lastly, the value of new commodities is realized in sales as money capital (M) with a new increment of value (m). Building on Cardoso and Fatetto's (1979) conception of situations of dependency, Schwartz (1989, pp.22-25) suggests diverse situations of dependency occur when any of the steps along the cycle is controlled by foreign capital to siphon away created surplus value and thus externally condition the capital accumulation.[21] As in what Cardoso and Faletto (1979) call the enclave situation (Figure 3.3), in which almost all the capital comes from outside the domestic production site, foreign capital largely dominates the realization of value by controlling M, C, and most of the P parts of the cycle. The only

[21] Neither Cardoso and Faletto nor their followers have done this kind of mapping regarding diverse situations of dependency. Although Schwartz's formulation fits with historical structural dependency analysis, we should keep in mind that such a mapping is not inclusive of all possible situations of dependency and might remain highly abstract, if it is not complemented with concrete analysis of class relations.

part the domestic economy involved in production is labour (l).[22] Because the accumulation is predominantly controlled by foreign capital, the sources of dependency are more apparent. Since domestic capital has very limited, if any, control over accumulation, it does not extract surplus value, but as comprador bourgeoisies they appropriate it as revenue from the foreign capital based on the deal they have. Under these conditions, local capital is denied from increasing its own accumulation by the productivity rise, and so is economically, ideologically and politically dependent (Schwartz, 1989, p.22).

Figure 3. 3 Enclave Economy and Dependency



Locally controlled part is **bold**; boxed area takes place domestically.

Source: Schwartz (1989, p.22).

In what Cardoso and Faletto (1979) called the local bourgeoisie situation, the production process (P) is apparently domestically controlled, but dependency occurs (Figure 3.4): when the process of realization (C+c)→(M+m) is controlled by foreign capital; when domestic capitalists actualise production through foreign provision of money capital; or when part of production process is controlled by foreign capital. In these situations, as Schwartz argues (1989, p.23), one can talk about a degree of dependency, since the accumulation process continues to be restricted and conditioned externally. This is related to the question of how much surplus value domestic capital loses to foreign financiers and to core monopolies that have control over sales, marketing and branding. Since local capital has control over production processes, diverse situations of dependency arise due to the domination of foreign capital in a number of different aspects. Dependency may occur when foreign capital grants a loan of money capital (M) to embark on production in the dependent economy (b in figure 3.4). Or it may arise when part of the production process is dominated by foreign capital due to its control over technology, management, capital goods, or situations in which domestic firms supply goods to transnational corporations for further transformation (c

[22] One of the most typical examples of this situation is the Mexican Maquiladoras.

and d in Figure 3.4). Or it may come into being when foreign capital has control over realization through branding, marketing and shipment (a in Figure 3.4).

Figure 3. 4 Local Bourgeoisie and Dependency

(a) Control over realization

$$M \rightarrow C \rightarrow \boxed{\mathbf{P}\left\{\begin{matrix}\mathbf{mp}\\ \mathbf{l}\end{matrix}\right\}} \rightarrow (C+c) \rightarrow (M+m)$$

(b) Provisions of loan capital

$$M \rightarrow C \rightarrow \boxed{\mathbf{P}\left\{\begin{matrix}\mathbf{mp}\\ \mathbf{l}\end{matrix}\right\} \rightarrow (\mathbf{C+c})} \rightarrow (M+m)$$

(c) Provisions of capital goods

$$M \rightarrow C \rightarrow \boxed{\mathbf{P}\left\{\begin{matrix}\mathbf{mp}\\ \mathbf{l}\end{matrix}\right\} \rightarrow (\mathbf{C+c})} \rightarrow (M+m)$$

(d) Integration into multinational production circuits

$$M \rightarrow C \rightarrow \boxed{\mathbf{P}\left\{\begin{matrix}\mathbf{mp}\\ \mathbf{l}\end{matrix}\right\} \rightarrow (\mathbf{C+c}) \rightarrow P(MNC) \rightarrow C'} \rightarrow M'$$

$$M \rightarrow C \rightarrow \boxed{\mathbf{P}\left\{\begin{matrix}\mathbf{mp}\\ \mathbf{l}\end{matrix}\right\} \rightarrow (\mathbf{C+c})} \rightarrow P(MNC) \rightarrow C' \rightarrow M'$$

Locally controlled parts are **bold**; boxed areas take place domestically. Although it is not indicated in the figure, the initial provision of M can be local.

Source: Adopted from and build on Schwartz (1989, p.24).

In contrast to comprador capital, local bourgeoisies to greater extent have unmediated access to productive process and surplus value, through which they exercise some control over capital accumulation. However, they remain ideologically and politically dominated, since their circuits of capital are embedded into broader circuits which are controlled by leading transnational corporations. As Schwartz (1989) argues, they may depend on core TNCs to reach global markets and sell products overseas. Or, they may be dependent in the sense that they produce intermediate goods to be incorporated into TNCs' commodity chains. Hence, the interior accumulation of local bourgeoisies is conditioned by the broader cycle of TNCs. Since local bourgeoisies, along with their dependency, have greater access to surplus value and have some control over local

production processes, they enjoy greater capability to expand their control over the entire circuits of accumulation.

Today, such mapping of dependency situations has been increasingly concretised along hierarchically-structured global value chains, which are by and large dominated by leading TNCs, conditioning the accumulation process in different socio-spatial entities based on asymmetrical power relations between diverse units of capital, and between capital and labour. There is remarkable affinity between Schwartz's mapping of dependency situations and the types of global value chains. For example, Gereffi's (1994, 1999) two classical types of value chain structure, namely buyer-driven and producer-driven, correspond to Schwartz's mappings of a and d (Figure 3.4), respectively. In fact, research on global commodity chains/global value chains intentionally abstains from speaking about situations of dependency, but Henderson et al. (2002, p.440) claim it is 'set within the (broadly defined) "dependency" tradition of analysis'. This framework thus argues that a pragmatic usage of GCCs/GVCs analysis lets us not only examine new forms of dependent development in today's global economy but also search for ways of transcending those constraints. However, from an analytical point of view, one who intends to do this should bear in mind that an unmediated adherence to GCCs/GVCs literature is likely to culminate in firm-centric, techno-industrial and market-based analysis.[23] Rather, from a historical-structural dependency perspective, any engagement with GCCs/GVCs[24] analysis should be carried out within the political economy and sociology of development.

For the sake of historical-structural dependency analysis, what makes GVCs analysis analytically appealing is threefold. First, the central question of how 'core-like' (high value-added) and 'periphery-like' (low value-added) activities are dispersed in different nodes along GVCs presents a leap forward in untangling the unequal distribution of rewards among various participants of an overarching division of labour. GVCs are characterized by a combination of high value-added and low value-added nodes, which cut across state boundaries. Some of these nodes, which exhibit core-like activities and

[23] For criticisms regarding firm-centricism and market-based analysis see Selwyn (2011, 2012), Bair (2005, 2014), Palpacuer (2008).

[24] Since there is significant continuity between GCCs research and recent GVCs analysis, this framework refers to these two analyses jointly. However, it should be noted that despite sharing a common analytical and conceptual ground, GVCs research has shifted the research agenda from its sociological orientation to an international business-related focus. For surveys of the similarities and differences of these two chain approaches, see Bair (2005) and Neilson and Pritchard (2009).

have higher barriers to entry, generate higher returns (entrepreneur profit/surplus profit), while other nodes, which exhibit globally dispersed and highly competitive activities, see lower returns (normal business income/profit). Thus, complementing our earlier discussion on the Marxian rearticulation of Schumpeter's theory of innovation, GCCs/GVCs analysis offers an insight into the reproduction of stratification in today's global economy.

Secondly, occupying the apex of asymmetrical global value relations, leading TNCs have an inherent tendency to take measures to secure control over the 'core-like' nodes, with the aim of recapturing sources of high revenue. Particularly by re-establishing and maintaining high entry barriers through branding, patenting, advertising and marketing, they secure control over high profit margins along GVCs. As argued by Nolan (2001) and Nolan et al. (2008), since the early 1980s the world economy has witnessed an epochal degree of industrial consolidation and centralization of business power on a global scale, in which TNCs have sold off their non-core businesses to develop their core competencies with the aim of securing entrepreneurial profits. Leading TNCs, mostly headquartered in high income economies,[25] enjoy a monopoly/monopsony position within global value relations due to their concentration in high value-added segments of GVCs. Moreover, as many (Schmitz and Knorriga, 2000; Schmitz, 2006; Schrank, 2004; Neilson and Pritchard, 2009) argue, leading TNCs tend to discourage, if not obstruct, upstream (subordinate) manufacturers from taking part in high value-added segments of value chains such as designing, branding, marketing, retailing. Thus, complementing our occasional revisiting of Evans' contentions, GVCs analysis offers a refreshed insight into how and in what respect the monopoly and entrepreneur rents of core TNCs have been maintained.

Last but not least, complementing Schwartz's mapping of dependency situations, GCCs/GVCs analysis also offers a leap forward in examining the reproduction of dependency relations along value chains. As mentioned above, Gereffi's (1994, 1999) two types of chain governance correspond to Schwartz's mappings of a and d (Figure 3.4).[26] Gereffi's (1999, p.1) model of buyer-driven chains refers to those industries in

[25] Looking into Interbrand's (2014) 100 best global brands in the last five years, whereas the overwhelming number are headquartered in the USA, Europe and Japan, only four to five global brands are located in other countries such as South Korea (Hyundai, Samsung, Kia), Taiwan (HTC) and Mexico (Corona). See Nolan et al. (2008).

[26] For the sake of simplicity, this framework draws on two classical types of governance structure in global value relations which provides a basilar and inclusively explanatory model for further articulations.

which leading transnational retailers, branded marketers and trading companies play pivotal roles in managing complex, 'decentralized production networks in a variety of exporting countries, typically located in the third world'. These types of chains are more evident in labour-intensive industries such as apparel, footwear, houseware, toys and horticulture, in which production is undertaken by tiered networks of manufactures, mostly in the global south, that produce for leading TNCs. In buyer-driven chains, high barriers to entry are established both in downstream activities such as marketing and network retailing, and in upstream activities such as product conception and design (Rabach and Kim, 1994). By concentrating in these core-like segments of value chains, TNCs are able to not only enjoy an oligopsonistic presence within the value chains, but also to exert indirect control over production and thereby value creation processes. Thus, turning to Schwartz's mapping of a (Figure 3.4), due to high entry barriers in these segments of value chains, leading TNCs enjoy control over the realization {(C+c)→(M+m)} stage of the accumulation process, through which they unequally siphon away surplus value. Since these asymmetrical power relations along buyer-driven chains unequally reward leading TNCs, their interest lies in holding contractors dependent in terms of markets accessibility, retailing networks and branding.

In contrast, the model of producer-driven chains implies those industries in which 'TNCs or other large integrated industrial enterprises play the central role in controlling the production system, including its backward and forward linkages' (Gereffi, 1994, p.115). These chains are characteristically identified with capital- and technology-intensive industries such as automobiles, aircraft, computers and electrical machinery. The highest barriers to entry in producer-driven chains are mostly established in upstream activities such as research and development (R&D), and product conception and design, through which leading TNCs enjoy an oligopolistic presence within chains. In producer-driven chains, access to these cutting-edge activities requires economies of scale that mostly belong to transnational oligopolies (Gereffi, 1999). The competition waged by TNCs in these cutting-edge niches characteristically corresponds to *strong* competition in Schumpeterian terms. It revolutionizes capitalist production, and exceptionally rewards 'first movers' with the highest returns as entrepreneurial profits

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In current research, the typologies of value chains have been broadened based on the application of diverse criteria. For alternative typologies see Humphery and Schimitz (2001); Gereffi et al. (2005). Any further attempt to associate Schwartz's mapping with value chain typologies requires a broadened rearticulation of the Marxian notion of circulation of capital.

or surplus profits in Marxian jargon. Thus, core TNCs occupy a predominant position in production processes, not only in terms of profits, but also in their capacity to control both backward linkages (suppliers of raw materials and components), and forward linkages (retailing and distribution) (Gereffi, 1999). Complementing Schwartz's analysis, producer-driven chains present an affinity with Schwartz's mapping of d (Figure 3.4), in which local production is incorporated into the broader production circuits of leading TNCs. In this situation, contract manufacturers or component suppliers are more likely to be dependent in terms of accessibility to cutting edge technologies, patents and capital goods, since their accumulation relies on TNCs' own cycles.

Nevertheless, from a historical-structural point of view, saying that subordinate manufacturers and suppliers are 'dependent' does not indicate that their relationship with leading TNCs is immutably fixed. Rather, dependent development might be a transitory situation for the subordinated domestic bourgeoisie or for socio-spatial entities, given their class dynamics and state-society relations. Therefore, the state of dependency is also subject to change over time, differing from industry to industry or by country based on socio-historical peculiarities. As Cardoso (1977, p.16) once stated:

> …the dependentistas affirm the existence of domination and struggle. The question, how does the transition from one situation of dependency to another occur? Or how can situations of dependency be eliminated? Ought to be asked in terms of who are the classes and groups which, in the struggle for control or for the reformulation of the existing order (through parties, movements, ideologies, the state, etc.), are making a given structure of domination historically viable or are transforming it?

Similarly, Schwartz (1989, p.25) argues that since subordinated manufacturers and suppliers have partial control over production processes, and enjoy a greater (but still mediated) access to surplus value, "they have a partial ability to make investments on their own, and gradually expand their control of the entire circuit of accumulation". This means they can transform themselves into what Schwartz calls "national" bourgeoisie, exerting far more autonomous control over the entire circuit of accumulation (in the light of Figure 3.4). In the lexicon of GCCs/GCVs analysis, securing control over the accumulation circuit bears some affinity with the matter of export roles, through which local bourgeoisies and different socio-spatial entities are integrated into global value relations. As Gereffi (1994, 1999) conceptualizes, different capital groups and countries have been connected to value chains through a set of five export roles, namely: primary

commodity exports, (export-processing (or in-bond) assembly operations, component-supply subcontracting, original equipment manufacturing (OEM), and original brand-name manufacturing (OBM) (Gereffi, 1994, p.121).

Progressively, each type of export role represents a more difficult export-manufacturing stage, requiring a higher degree of technological, entrepreneurial and managerial competencies, as well as domestic integration (multiplier effect). Thus, the movement of local bourgeoisies and thereby countries from one stage to another indicates the enhancement of industrial development in capitalist terms. Different socio-spatial entities are connected to value chains through the employment of these export roles in multiple ways (Gereffi, 1994; Bair and Gereffi, 2003). The primary commodity export role has been employed by almost all Third World countries. However, their proportion has been substantially and deliberately reduced due to their well-recognized disadvantage as an export base (Gereffi, 1994). Export-processing roles refer to the labour-intensive assembly of manufactured goods within foreign-owned factories, which typically transforms imported components into simple consumer goods. This type of role is often taken in export-processing zones (EPZs) in the global south, like the Mexican Maquilarodas. This recalls the Cardosian enclave situation (Figure 3.3), in which foreign capital almost entirely dominates the realization of value by controlling M, C and most of the P parts of the cycle, and the only part of the production process the domestic economy is involved in is labour. The role of component-supply subcontracting mostly takes place in more technologically advanced industrial bases in the global south, which provide components and intermediate goods for final assembly in foreign-owned plants. This type of export role recalls situation d (Figure 3.4), in which local production is incorporated into the broader production circuits of TNCs. The fourth type of export role, original equipment manufacturing, refers to the manufacture of finished consumer goods in domestically owned factories whose products are distributed and marketed abroad by leading TNCs such as branded marketers and large retailers. This export role corresponds to situation a (Figure 3.4) in which leading TNCs enjoy control over the realization {(C+c)→(M+m)} stage of accumulation. The final stage in the development of an export economy is original brand-name manufacturing, which gives local bourgeoisies overall control of accumulation process, and makes their presence autonomous and more visible in global value relations.

In the jargon of GCCs/GVCs analysis, industrial upgrading is associated with a progressive shift from the export-processing assembly to more integrated types of manufacturing and marketing, such as OEM and OBM export roles (Schmitz and Knorringa, 2000; Bair and Gereffi, 2003). The notion of 'upgrading' in GCCs/GVCs analysis is closely attached to the types of value chain governance. The association of upgrading with type of value chain, as the two flagship ideas of chain analysis, has provided a mechanism for examining how producers' positions within chains either enhance or restrict their capacities in terms of upgrading. GCCs/GVCs analysis provides an efficacious and up-to-date framework for addressing how the organizational structures of globalized production set parameters that precondition the terms under which participants of the chain function (Humphrey, 2005).[27] The specification of asymmetrical power relations within the value chains forms an analytical basis for examining how value is created and captured by the actors within the diverse types of governance structures.

However, any utilization of value chain analysis for the sake of operationalizing the notion of dependent development should bear in mind a series of drawbacks in current analyses. Firstly, as Selwyn (2011, 2012) argues, having its early underpinnings in World System Theory, GVCs analysis is prone to conceptualize capitalism in a reductionist manner, due to which much GVC analysis fails to examine the social relations of production underlying current global value relations. Conceiving capitalism as mainly exchange-based or market-based relations, GVCs analysis implicitly or explicitly embraces a neo-Smithian conception of capitalist development, in which global value relations are reduced to a system of production for profit. Briefly, this way of thinking in GVC analysis fails to address the historically-specific and class-based nature of capitalist development, intrinsically embedded not in market relations but in social relations of production (Selwyn, 2011, 2012).

Secondly, mainstream chain analyses have an inherently firm-centric orientation, due to which they fail to address the transformative role of other actors such as states, local authorities and labouring classes in value chains governance and economic upgrading. Much of the discussion of governance patterns revolves around the dynamics of inter-

[27] Based on the categorization of Humphrey and Schmitz (2001, p.5) and Humphrey (2005, p.22), these parameters, in broad terms, can be specified as: what is to be produced (product design and specifications); how it is to be produced (process specifications); how much is to be produced; and when it is to be produced (production scheduling and logistics).

firm relations in globalized industries. As Bair (2005, 2008) argues, a one-and-a-half decade-long discursive change in value chain research has shifted the focus from the macro, holistic structure of the world economy and its social consequences, to meso-level, firm-centric and performance-oriented research (see inter alia, Gereffi et al., 2005; Cattaneo et al., 2013). Thus, due to its techno-managerial and narrow focus on the governance of inter-firm transactions, mainstream chain analysis fails to comprehend how value chains operate in broader institutional, regulatory and class-based contexts, in which capital accumulation is conditioned and re/shaped by ongoing interplay between TNCs, local capital, states and labour.

Thirdly, due to its profoundly optimistic approach to the matter of economic upgrading, GVC analysis fails to properly interrogate the exploitative and dependent nature of capitalist development along global value chains. GVC literature offers an operational framework to assess to what extent manufacturing suppliers can improve their respective positions in global value chains through either upgrading within production, such as product and process upgrading, or through upgrading beyond production, such as functional and inter-sectorial upgrading (Humphrey and Schmitz, 2002; Schmitz, 2006). The work of some scholars (Humphrey and Schmitz, 2002; Schmitz and Knorringa, 2000; Schmitz, 2006) and many others (Neilson and Pritchard, 2009; Özatağan, 2011) has revealed that upstream (subordinate) manufacturers have greater prospects for upgrading within production by improving product quality, adopting flexible production techniques and increasing productivity. However, they make very little progress in either functional upgrading, by shifting into higher value-added segments of the chain (such as designing, branding, marketing, retailing), and in inter-sectorial upgrading, by moving into more technology-intensive sectors.

Given the asymmetrical distribution of power along value chains, and the limited prospects for functional and inter-sectorial upgrading, most manufacturing suppliers in developing countries depend on foreign buyers in terms of technology transfer, industrial upgrading, access to foreign markets and capital investment. Characterized by multifaceted dependency relations with foreign capital, manufacturing suppliers in the developing world have relatively limited room for further capital accumulation through high value-added activities. Despite having stressed the limited upgrading prospects of upstream manufacturers, GVC literature implicitly or explicitly abstains from addressing the questions of what kind of new dependency relations are rooted in global

value chains, and how the mode of articulation with global value chains (through a particular state-society complex and a particular configuration of class forces and state-society relations) produces/reproduces different forms of dependency relations and upgrading paths.

The following section aims to transcend these drawbacks. To that end, it is argued that a rearticulation of the historical-structural perspective offers valuable insights to further develop our analytical framework, which adopts and integrates the methods of historical-structuralism into the matter of value chain governance and economic upgrading in global value relations. The framework emphasizes the need for directing the focus of analysis to changing configurations of class forces, state-society complexes and domestic relations of production, in order to fully grasp the underlying institutional, regulatory and class-relational context in which global value relations operate. In so doing, the framework aims to overcome the firm-centric orientation in GCCs/GVCs literature by bringing the notions of class configuration and state-society relations into analysis of value chain governance. Despite the widely-accepted assumption of current chain analyses, this framework proposes that global value chains operate in a broader institutional, regulatory and class-based context, in which capital accumulation and prospects for economic upgrading are conditioned and depend on ongoing interplay among the partners of the alliance, namely leading TNCs, the state, and local capital and social classes. In a nutshell, the underlying assumption of this framework is that these two approaches, historical structural dependency studies and value chain analyses, complement each other in that the weakness of each approach is covered by the strengths of the other (for a detailed mapping, see Appendix 10).

3.3 Bringing the Social Context Back in: Social Classes, States and Global Value Relations

Aligning with the historical-structural dependency perspective, this framework argues that any engagement with GCCs/GVCs analysis should be carried out within the political economy and sociology of development. The relationship between external control of TNCs and the domestic development of peripheral social formations is a central concern of historical-structural dependency studies. Nevertheless, due to the simultaneous possibility of both captive alliance and robust bargaining, neither the dominance of multinationals nor the subordination of local bourgeoisies is taken for granted. Rather, it is presupposed that there is a wide range of responses from peripheral

social formations to world production system, given their diversified internal class configuration and state-society relations. In the words of Cardoso and Faletto (1979, p.20):

> What we seek are the characteristics of the national societies that express relations with the outside. The internal socio-political factors – linked naturally to the dynamic of the hegemonic centers – are precisely the ones that may produce policies taking advantage of the new conditions or new opportunities for economic growth. Similarly, it is the internal forces that give socio-political scope to the spontaneous diversification of the economic system.

Thus, it is no wonder that the historical-structural perspective puts special emphasis on the internal social and political dynamics of different social formations. The central question then is how and to what extent the strategies and interests of TNCs are internalized through historically given configurations of class structure and state apparatus within a particular socio-spatial entity. For historical-structural dependency studies, the asymmetric and polarizing pressures of the world capitalist economy are closely intertwined with the dynamics and issues of late capitalist development in our recent history. As an East Asianist dependentista, Lim[28] (1985), argues, the notion of dependent development differs from the historical experiences of both the early developers of England, France and the USA, and the late developers of Germany and Japan. It is rather related to the late-late capitalist development of peripheral social formations such as Brazil, Mexico, Taiwan and Korea, that manifests itself through the interaction of domestic classes and political/economic alliances with classes and groups in the capitalist world economy (Lim, 1985, p.80).

Since the relationship between foreign control and domestic development is a central concern of historical-structural dependency studies, a special emphasis is placed upon conflicts of interests or developmental contradictions between leading TNCs and economic and political forces within a peripheral social formation. The contention of interdependence or interconnectedness between leading TNCs and domestic economic actors obscures the multifaceted nature of asymmetrical power relations that is apt to favour leading TNCs more than domestic forces (local bourgeoisies and labouring classes). Thus, given the underlying asymmetrical relationships among these units, two

[28] As mentioned earlier, for some scholars of East Asia like Amsden (1979) the dependency approach does not fit development experiences in East Asia. However, many East Asianists have rebutted this argument. In their doctoral research, Gold (1981) and Lim (1982) applied the historical-structural dependency approach to the cases of Taiwan and Korea, respectively. See Lim (1985) and Gold (1986); see also Deyo (1981), Evans (1987), Haggard (1990).

major developmental outcomes are likely to emerge. First, industrial growth of peripheral social formations tends to generate uneven distribution of benefits, favouring leading TNCs. Second, the global expansion of capitalism (largely through the activities of TNCs) is likely to restrict and distort local development options with regards to local bourgeoisies as well as labouring classes.

As Evans once argued (1979, p.39), the local bourgeoisie can be regarded as the stepchild of global capitalist economy, never completely abandoned but never given a full opportunity to develop. The emerging local bourgeoisies, as latecomers, enter the so-called "global level playing field" under conditions remarkably disadvantageous to their own interests.[29] A retrospective view of capitalist industrialization in peripheral social formations reveals that local bourgeoisies (particularly industrial ones) have been historically given a restricted opportunity to build political domination or economic hegemony on their own. As early movers, leading TNCs have already occupied the world historical role of what dependentistas once called the *conquering bourgeoisie* (Cardoso and Faletto, 1979). In this respect, industrialization in latecomers has historically appeared as a project built on compromise, not on bourgeoisie domination that fits the classic pattern of industrial bourgeoisie (Evans, 1982).

In the words of Cardoso and Faletto (1973, cited in Evans 1979, p.39), industrialization "represents more a policy of accords, between diverse groups from agrarian to popular-urban, than the imposition of interests or will to power of a conquering bourgeoisie". Thus, from a historical-structural point of view, what explains capitalist industrialization in peripheral social formations is the multifaceted relationship between local social classes and the state, with respect to conditioning impressions of the international environment. The state has been believed to play a central role in both the process of local industrialization and late capitalist development.[30] As Evans (1979,

[29] The global spread of production and trade, particularly post-1980, reinforced the belief that firms in developing countries have been offered limitless opportunities to catch up with the first movers, since they compete under the free market conditions of a global playing field. Friedman (2005) has gone so far as to argue that this level playing field has connected all over the planet, in the sense that every firm is potentially an equal competitor to each other. For trenchant and devastating criticism of this contention see Nolan (2001); Nolan et al. (2007).

[30] Even though the state is believed to occupy a central role in capitalist development in various ways, there is no monolithic theory of the state commonly employed in historical-structural dependency studies. While some scholars like O'Donnell (1978) emphasise the emergence of the 'bureaucratic authoritarian state' as a reactionary unit of peripheral social formation, others like Bennett and Sharpe (1980, 1985) remark on the institutional and autonomous capacity of states in a Gerschenkronian sense. This framework offers a more nuanced conception of the state, building on a class-relational articulation of developmental state.

p.43) put it, “unless the state can enforce a priority on local accumulation and push industrialization effectively, there is no effective sponsor for peripheral industrialization”.

Nevertheless, from a historical-structural perspective, the role of the state in capitalist development is not taken for granted, in two respects. First, its role is believed to be properly understood in relation to class conflicts and alliances at the local level. In this sense, the state, as Johnson (1985) states, is mainly conceived as an institutional expression of class relations within a particular peripheral formation. In other words, the interests and strategies of local economic and social forces vis-à-vis TNCs are usually expressed through institutional arrangements and the policies of the state apparatus. Second, the state’s role in capitalist development is understood as part of a triple alliance that includes TNCs and local capitalist groups. In this sense, the state is conceived as a major nexus of economic transformation which, under certain circumstances, has the capacity and will to renegotiate and redefine the terms of local capital accumulation vis-à-vis TNCs. As there is the likelihood of conflict between the global rationality of TNCs and the developmental priorities of a local economy, the state occupies a pivotal role in coercing or cajoling the TNCs when the matter of local accumulation is at stake.

A comparative look at Latin American and North-East Asian experiences proves instructive in addressing these issues. As cited earlier in the chapter, many scholarly works which have confronted the East Asian experience with the historical-structural dependency approach have revealed that East Asian cases are more confirmatory than contradictory, both in the theoretical and empirical sense (Lim, 1985; Gold, 1986; Haggard, 1990). As in Latin America, in cases like South Korea and Taiwan, there has been a triple alliance preparing the ground for dependent capitalist development. East Asian countries, particularly South Korea and Taiwan, have experienced greater progress in industrialization and capitalist development, despite being largely dependent upon foreign markets, capital and technology. In comparison to their Latin American counterparts, they today occupy a distinctive structural position in the global division of labour as exporters of capital goods and technology-intensive products, but usually at the expense of the welfare of their labouring classes.

At the heart of this relative “success” story lies the role and capacity of the state in shaping the local accumulation process, and overcoming the negative consequences

stemming from the incorporation of a local economy into the world economic system. On this point, the works of East Asianist dependentistas have revealed that, allying with local bourgeoisies, the state has played a critical role in the project of local accumulation. In paradigmatic Latin American cases like Brazil and Mexico, the state is deemed a critical actor in the triple alliance, although many studies hold the view that the global priorities and interests of TNCs tend to prevail in the last instance (Cardoso and Faletto, 1979; Evans, 1979; Gereffi and Evans, 1981; Bennet and Sharpe, 1985). However, in the deviant cases of East Asia like Korea and Taiwan, the state's role in the triple alliance is more decisive, despite being subjected to the global rationality of TNCs and the world economic system. As Lim (1985, 99) suggests regarding Korea, "the state was undoubtedly in the advantageous position vis-a-vis both the local bourgeoisie and the MNCs for enlisting them in the process of capital accumulation." In a similar vein to Lim, Gold's work (1986) on Taiwan also revealed that among a series of variables, such as US security interest, the influences of world market forces, the declining power of landlords, and the emergence of the capitalists and middle classes, the locus of power in Taiwan's triple alliance was the state, which enjoyed a relatively strong position in regards to local accumulation process.

At this point, it should be noted that providing an inclusive cross-country comparison of East Asian and Latin American development experiences is not a central concern of this framework, and is beyond the scope of this study, given their diverse socio-historical and socio-political conditions. However, from a theoretical point of view, worth mentioning for the sake of historical structural methodology is how the wide variation of state capacities and responses to the global economic system generates different paths of development within the global south. The centrality of the state in peripheral capitalist development is a phenomenon that has been prevalent across the developing world, both in the "success stories" and the failures. In this sense, what makes the East Asian cases worth studying is not the phenomenon of state involvement in the economy, but rather the type and quality of state capacity, which has not simply taken shape within the state itself, but by the unique socio-historical dynamics of state-society relations and political/economic alliances that condition different responses to the world economy.

A series of studies have concluded that the role of the state in the East Asian experience differs from that of other developing countries. The state there has been interventionist,

just as its counterparts have been elsewhere; however, it has managed to succeed in hauling the local economy up to higher productivity and efficiency levels, whereas many others, like Brazilian, Indian, Turkish or Thai states, have not. In this sense, the capacity of East Asian states is accounted for by a particular type of state institution, what we now call the developmental state. Led most notably by Chalmers Johnson (1982), Alice Amsden (1989) and Robert Wade (1990), whose works have gained classical status, characterisation of the developmental state has erroneously tended to be equated with the notion of the 'strong state'.

The prevailing conceptualization of the developmental state has fallen prey to what this framework loosely calls the Weberian context that conceives the state as an insulated entity separable from societal dynamics and class relations on one hand, and from the conditioning impacts of the external world on the other. The focus of most analyses revolves around political elites and dynamics within the state apparatus, given the scanty apprehension that what matters is essentially institutional that is going on within the state structure. This theoretical commitment to state-centrism has been reinforced by the works of most developmental state writers. Johnson (1982), Amsden (1989) and Wade (1990) have all regarded a weak society as a constitutive prerequisite for the state's developmental capacity to formulate and implement its economic policies, sometimes even in spite of the opposition by societal actors.[31] For them, a talented bureaucracy and well-functioning state apparatus are two outstanding features that assure the internal cohesiveness of state capacity. Along with its internal cohesion, the developmental state also needs to be equipped with institutional mechanisms and channels through which development-oriented bureaucracy can communicate with and discipline domestic firms around the industrialization strategy.

Despite being limited in his efforts, Evans (1995, p.22) has disavowed sympathy for statist conception of the developmental state by arguing that "a revival of open-ended faith in the state as a solution to the problem of underdevelopment is neither possible nor desirable". Evans (1995) partially moves beyond the naive statism of earlier characterizations of the developmental state by introducing the theory of embedded-autonomy. Autonomy in Evans' conception refers to the presence of a coherent and

[31] In this context, Wade's (1990) *Governed Market Theory* exemplifies a well-known variant of such a statist approach, in which he wittingly idealises the authoritarian and corporatist character of the developmental state that indirectly enables a variety of authoritarian and repressive politics in development practice.

effective state apparatus able to identify and implement developmental goals while not being overwhelmed by the particularistic interests of any social group. Evans' emphasis on state autonomy is complimented by the notion of embeddedness, referring to "a concrete set of connections that link the state intimately and aggressively to particular social groups with whom the state shares a joint project of transformation" (1995, p.56). By introducing the notion of embedded-autonomy Evans has argued against the simplistic and artificial state-society dichotomy that is central to the caricature of the developmental state approach. Paradoxically, his effort has remained limited in the sense that the state's embeddedness in society is reduced to state-business relations at the expense of the dynamics of class relations within wider society.[32]

Within the developmental state tradition, a more nuanced approach to state-society relations has come from Linda Weiss (1998), whose major contribution to the transformative role of the state has been formulized under the theoretical approach called *governed interdependence*. Unlike both Wade's *governed market theory* and Evans' *embedded-autonomy*, Weiss has refused the contention that the state's capacity to define developmental goals over economic and societal actors is essential to its transformative role. She rather emphasises the centrality of cooperative and negotiated relationships between government (state elites) and industry (local firms) around a shared development project. According to the governed interdependence model, developmental policies "are not simply imposed by bureaucrats and politicians, but are the result of regular and extensive consultation, negotiation and coordination with the private sector" (Weiss, 1998, p.39). Contrary to the commonly-shared premise of Johnson, Wade and Evans, the presence or emergence of a strong capital sector is supposedly not inimical either to a state's transformative capacity nor to its exiting developmental features, but is a constituent element of the state's transformative task.

The works of developmental state theorists have provided valuable evidence for the earlier contentions of East Asianist dependentistas, notably with regard to the role of the developmental state in late capitalist development. Their endeavours to transcend the dichotomous conception of state-market relations in conceptualising the institutional linkages between the developmental state and the market ought to be acknowledged.

[32] Evans (1997) later addresses the limitedness of embedded-autonomy by coining a new concept of state-society synergy which adopts a more inclusive approach to state-society relations, but still fails to grasp the essentials of societal dynamics and class relations that underlay the developmental nature of the state. For a critique of Evans, see Chang (2009).

However, despite its heuristic value, the conception and postulations of the developmental state remain troubled and ambiguous in several aspects.

Unlike the historical-structural methodology and the earlier works of East Asianist dependentistas, developmental state theorists have failed to conceive how the developmental role of the state within a particular socio-spatial entity is installed based on historically-given class configurations and their relation to the external world. Rather than problematising its socio-historical underpinnings, adhering to the Weberian tradition, the developmental state has more often taken for granted an autonomous institutional setting that secures 'national development'.[33] In such a statist conception, policies and institutions of the developmental state are dissociated from underlying class relations and social grounding. The so-called state-society perspective in developmental state theory has mostly referred to state-business relations, due to its prevalence in late capitalist development (Cammack, 2007; Oğuz, 2003). Contrary to the works of Lim (1985) and Gold (1986), the crucial role intra-class and capital-labour play in the instalment of a developmental state has been overshadowed in the statist tradition. The question of how the position of commercial and agricultural bourgeoisies within the class configuration has played a constitutive or hampering role in the deployment of industrial projects serves as a perfunctory narrative.[34] Again, unlike in the research interests of East Asian dependentistas,[35] the matter of labour in the statist conception of the developmental state is either absent or reduced to a secondary position vis-à-vis capital relations.

The conception of the developmental state in such a statist tradition is primarily trapped within the methodological nationalism which neglects historically-given international dynamics as determining factors in the installation of developmental policies and institutions within the East Asian context. From a historical-structural point of view, the central trouble with developmental state theory is not simply the level of analysis, in the sense of an external versus an internal mode of explanation. Rather, the question of how developmental state practices and institutions have come into being in the East Asian

[33] For an earlier discussion opposed to the Weberian conception of the state and pioneering developmental state theorists, see Cammack's (1989) denouncement of the authors of *Bringing the State Back In* (1985).

[34] For the constitutive role of land reform in the deployment of the developmental state in Korea and Taiwan see Lim (1985) and Gold (1986). For comparative discussions of the significance of land reform and agricultural policies for industrialization and development in East Asian and Latin American contexts see Kay (2002) and Grinberg and Starosta (2009).

[35] See inter alia Deyo (1981), Lim (1985), Gold (1986). For further discussion, see Deyo (1989).

context but not elsewhere in the world requires a concurrent analysis of inter-societal change in relation to international and geopolitical dynamics. Earlier works of East Asian dependentistas on Korea and Taiwan have shown how US geopolitical concerns in East Asia stimulated societal change, and thereby the installation of a developmental state, through foreign aid and facilitation of agricultural reforms and industrial policies (see, respectively, Lim, 1985 and Gold, 1986). As Lim (1985, p.131) bluntly puts it, "the triple alliance under U.S. security umbrella had to facilitating tremendous economic growth and structural change in Korea".[36]

In short, within former peripheral and dependent geographies only a few countries have succeeded in achieving notable and consistently high rates of economic growth with widespread industrial upgrading and high levels of locally captured value-added. This is particularly the case for East Asian NICs, whose response to the world capitalist system differs from the rest of the developing world, given their diverse socio-historical and socio-political conditions, and their particular relations with the economic and political system. At the heart of this "success" story lies the role and capacity of the state in shaping local accumulation process, and overcoming negative consequences, stemming from the incorporation of a local economy into the world economic system. This has once more validated the postulation of historical-structural dependency analysts, who point out the developmental role of the state in the process of local industrialization and late capitalist development. Nevertheless, in the historical-structural perspective, the role of the state in capitalist development is not taken for granted, but properly analysed in relation to both historically given class-configurations, state-society relations within a particular locality and their specific interaction with the international environment.

Roughly speaking, as a major nexus of economic transformation in a particular socio-spatial locality, the state emerges as an institutional expression of a historically-given class configuration and its specific relation to the external world. The developmental state's institutions and policies cannot come into being overnight, standing above the differentiating penetration of conflicting class interests and the conditioning pressures of the external world. Consequently, subjected to these complex and multifaceted interactions with internal social forces and external dynamics, states develop particular sets of institutional capacities and arrangements, leading to divergent developmental

[36] For detailed discussion of Korea see Lim's (1985) chapter 4 and conclusion. For Taiwan see Gold's (1986) chapter 5. For up-to-date and comparative analyses on East Asian late development in relation to its particular geopolitical context see Gray (2011a, 2011b, 2014).

outcomes. Through these institutional innovations and arrangements, states cope with and overcome different collective action problems that are inherent in the process of late capitalist development.

As Waldner (1999) and many others (Doner, 2009; Schwartz, 2010) have discussed, different levels of capitalist development require tasks and institutional innovations that vary in difficulty. In broad strokes, late capitalist development involves two sets of collective action dilemmas: those that relate to structural change and those that relate to the matter of upgrading. Following the authors just noted, these dilemmas can be broadly distinguished as 'Gerschenkronian collective action problems', and 'Kaldorian collective action problems'. Gerschenkronian collective problems, as Schwartz (2010, p.59) states, require "state mobilization of capital for social overhead capital (such as the provision of the transportation networks needed to get exports to market), for the provision of capital to producers, and for the creation of a labour supply. As Doner (2009) puts it, overcoming Gerschenkronian collective problems involves overall structural change, economic diversification and even high but interrupted rates of growth, yet in the long run dooms countries to be stuck in a 'middle income trap'.

Kaldorian collective action problems, on the other hand, involve a set of interrelated phenomena such as increasing returns to scale, moving up the product cycle with greater efficiency and local inputs, and learning by doing (Schawartz, 2010; Doner, 2009). Kaldorian collective action dilemmas present hurdles greater than structural change and economic diversification pose, since they require investment in innovation and intensive industrialization, regardless of any existing comparative disadvantages or advantages. Therefore, rather than a passive process in which a particular socio-spatial entity relies on its existent position in international divisions of labour and waits for the diffusion of new production capabilities and technologies, it requires an endogenous, cumulative learning process through which local industry moves up to a level that enables it to compete with first movers in the global economy.

Overcoming these two broad sets of collective action problems is complex, both in political and sociological terms, and requires different institutional capacities. Nevertheless, given diverse internal class configurations and differing external dynamics, a few countries in the global south have managed to construct and institutionalize the capacities necessary to overcome these collective action dilemmas. The formation of these institutional capacities is itself a challenging collective action

problem that inherently lies at the bottom of politics and class conflicts, taking place within a particular socio-spatial entity. Looking into the recent history of the global economy in broad terms, developing countries within the geographies of Latin America, Eastern Europe and South-East Asia have managed to overcome Gerschenkronian collective dilemmas with structural economic changes and diversified export manufacturing capabilities. However, only the developmental states of East Asia have managed to resolve both Gerschenkronian and Kaldorian collective dilemmas, which has brought industrial upgrading in genuine terms and put them on a distinctive trajectory of economic development (Schwartz, 2010; Doner 2009).[37]

Complementing our earlier discussion on the reproduction of dependent development and GCCs/GVCs analysis, the success in upgrading seems mostly limited to East Asian NICs and thereby is unsatisfactory in the rest of the developing world. In this sense, not structural change but upgrading distinguishes the East Asian cases from other developing countries, which have still not reached the levels of capitalist development as early comers have. As discussed in the previous section, the global spread of manufacturing capabilities to former peripheral economies makes dichotomous denominations such as 'industrialized' and 'non-industrialized' increasingly untenable. In parallel to recent changes in the global economy, developing countries have experienced an overall structural shift in their economies, given the expansion and diversification of their manufactured exports, accompanied with considerable increase in medium/high-tech production. However, with regard to local linkages and local technological capacities, East Asian NICs differ from the rest of the developing world, which has led to a bifurcation within the global periphery. In contrast to East Asian NICs, the economies of the rest of the developing world seem characteristically dualistic, in which leading TNCs are in the driver's seat in terms of holding high-tech and branded exports, due to which local firms account for little of the created surplus value.[38]

[37] For the cases of Latin America and Eastern Europe see Schwartz's (2010) chapters 11-12. For South-East Asian cases such as Thailand, Malaysia, Indonesia and the Philippines see chapters 1-2-5-7.

[38] A typical example is Malaysia's semiconductor industry, which has ascended to being the second largest exporter of semiconductors to the US, but has remained stuck at the 'lower-road' of production, since it still does assembly, testing and packaging for leading TNCs. Similarly, the Thai hard-disk drive industry has become one of the world's largest, but the multiplier effect and local linkages have remained limited. Similarly, the Turkish and Polish automotive industries can be regarded as illustrative cases, in which the local firms that are producing for leading TNCs account for a limited share of created surplus value.

With respect to Schwartz's (1989) mapping of dependency situations and their association with the export roles of developing countries in global value relations, East Asian NICs also differ from the rest of the global south. The countries in Latin America, Eastern Europe and South-East Asia have mostly remained stuck in the downstream stages of export roles, such as primary commodity exports, export-processing (or in-bond) assembly operations, component-supply subcontracting and original equipment manufacturing. Given their lower-road development trajectories and weak institutional capacities, they (apart from a few exceptional firms) have failed to shift to the upstream stages of exporting (e.g. original design manufacturing and original brand manufacturing). Hence, as discussed above, the rate and direction of local accumulation in these countries has remained externally conditioned, since they have relatively more limited and mediated capacity to exert control over the entire circuit of accumulation. Since the interior accumulation of local bourgeoisies is conditioned by the broader cycle of leading TNCs, diverse situations of dependency occur alongside the hierarchically-structured global value chains.

As discussed above, the developmental and institutional capacity of the state can overcome some of the challenges posed by asymmetrical and hierarchically-structured global value relations. Therefore, when properly conceived in relation to local class configuration and its interaction with external forces, the state's role in this sense appears as an institutional expression of class relations within a particular social formation. More explicitly, the interests and strategies of local economic and social forces vis-à-vis TNCs are expressed through the institutional arrangements and policies of the state apparatus. Thus, as a major nexus of economic transformation, the state has the capacity and will to renegotiate and redefine the terms of local capital accumulation vis-à-vis TNCs, and to coerce or cajole TNCs when the matter of local accumulation is at stake. In a complementary manner, the absence or presence of such a state role can be determinative in shaping the environment for incorporation into global value relations. To put it another way, "state action and inaction generates the enabling conditions that shape whether and how firms, regions and nations are able to engage with global value relations, and their capacities to upgrade these engagements" (Neilson et al., 2014, p.3).

Nevertheless, looking into the current literature, the conceptual prisms of mainstream chain analyses in GCCs/GVCs frameworks tend to downplay questions about the role of social classes and the state in shaping global value relations. As Bair (2005, 2008) and

others (Neilson and Pritchard, 2009; Selwyn, 2011, 2012; Smith, 2014) argue, since the notion of upgrading and the matter of chain governance are narrowly focused on issues of firm-level competitiveness and affairs within a particular industry, they cast a very partial light upon outstanding questions about the agential and transformative role of other factors, such as state institutions, social classes and labour. While the original GVC analysis tends to underestimate the role of the state and social classes in shaping value relations within a particular socio-spatial entity, Global Production Networks (GPNs) analysis, a sibling approach in value chain analysis, seems more explicit in incorporating national, regional and local institutions, and other stakeholders such as business and labour groups that frame global value relations (see inter alia, Dicken et al., 2001; Henderson et al., 2002; Coe et al., 2004; Yang and Coe, 2009).

Evolved in dialogue with, and as a critique of, GCCs/GVCs literature, the GPNs approach re-conceptualizes global value relations through a complex network metaphor in which "there are intricate links – horizontal, diagonal, as well as vertical – forming multi-dimensional, multi-layered lattices of economic activity (Henderson et al., 2002, p. 442). In so doing, the network imagery in GPNs discourse not only provides a broader lexicon with which to consider the multi-scalar geographical and institutional complexity of value relations, that has been trivialised in much GCC/GVC literature, but also encompasses non-firm relationships and actors that bring about the versatility of value relations in terms of time and space (Coe, Dicken and Hess 2008). GPNs researchers endeavour to provide a heuristic framework that moves beyond the valuable but practically simplistic typologies of governance structures in GCCs/GVCs literature. Instead, they seek to provide time- and space-sensitive explanations of global value relations by demonstrating the complexity of production networks that are "inherently dynamic and are always in flux organisationally and geographically in response to both internal and external circumstances" (Yang and Coe, 2009, p.33).

In fact, the further theoretical advancement through the network metaphor transcends some of the deficiencies surrounding GCCs/GVCs analyses by highlighting the multi-actoral geographical and institutional complexity in which value chains operate. The pioneering works of Henderson et al. (2002), Coe et al. (2004) and Yeung (2009; 2014) present an array of conceptual categories, such as territorial embeddedness and strategic coupling, to consider the geographical dynamics of the globalization of production. Combining insights gained from actor-network-theory and varieties of

capitalism/business systems with ideas derived from chain analysis, GPNs researchers such as Dicken et al. (2001) and Henderson et al. (2002) pay special attention to the multi-actor characteristics and territorial embeddedness of global production. In a similar vein, Coe et al. (2004, p.469) and Yeung (2009; 2014) develop an illustrative notion of *strategic coupling*, which focuses on the process of the coupling of regional/territorial assets with the global rationality of production networks through a range of institutional activities across different geographical and organizational scales.[39] Success or failure of upgrading and development along value chains/networks is thereby associated with the nature of the coupling process that frames the dynamics of value creation, enhancement and capture.

The conceptual categories of GVCs/GPNs narratives have one way or another prefigured fundamental questions on the role of state and social actors in shaping conditions for incorporation into global production. However, despite their theoretical advancements, none of these approaches offers an explanation of why or how economic and social upgrading takes place in particular regional and national economies, and what roles states and society play in this respect. Rather an explicit theorisation of the state has been somewhat lacking, and thus chain/networks analyses have remained limited in examining the role of state and class relations with respect to the matter of governance and upgrading.

In this regard, this section concludes that the above-presented class-relational articulation of the developmental state offers a more nuanced analysis of the role of the state in shaping the integration of domestic capital and industry into global value relations. Instead of conceiving state as all powerful and unitary entity cajoling domestic firms, the proposed framework incorporates divergent class configurations, state-society relations and institutional/regulatory settings to fully inform the potential role of the state in the incorporation of domestic industries into global production. In so doing, the framework furthers the multi-actor and multi-scaler approach in

[39] An alternative approach to Yeung's notion of strategic coupling is Bair and Werner's (2011) 'disarticulations project', which seeks to broaden our understanding of how global networks of production and trade are historically and geographically formed/reformed/deformed as expressions of an ongoing interaction between places, subjects, processes and the production of goods. Briefly stated, Bair and Werner reject the inclusionary bias of chain analysis and the linearity of development and upgrading via participation in value chains. Rather, they draw attention to the reproduction of uneven geographies of capitalist development, considering the fact that a historically and geographically particular set of social relations leads to processes of incorporation, exclusion and expulsion from global commodity circuits.

chain/network analysis and truly brings the state and social classes into the matter of governance and economic/social upgrading. Going beyond the analytical focus on the inter-firm or network dynamics in chain/network analyses, this framework seeks a more comprehensive analysis of value relations, one that pays special attention to the socio-economic and socio-political dynamics of the diverse developmental trajectories of national economies.

In this direction, the framework puts emphasis on the potential role of the state as a nexus of economic and social transformation which, under certain circumstances, has the capacity and will to renegotiate and redefine the terms of value creation, enhancement and capture within a particular socio-spatial locality. As the above discussion suggests, the countries that have more successfully joined GVCs are those that have the respective institutional capacity to frame the process of incorporation into global production. This requires complementary development projects and institutional innovations, not only to face multiple collective action problems (here conceptualised as Gerschenkronian and Kaldorian), but also to renegotiate the terms of local accumulation and control vis-à-vis leading TNCs. States exercise such functionality in a wide range of policy arenas, such as tariffs, taxes (and tax concessions), infrastructure provision, wage-setting, incentives, education, training and research, and build up respective institutional settings and innovations to conduct these policies.

Nevertheless, importantly for the subject at hand, the realisation of these functions of the state cannot be taken for granted, but must be analysed in relation to historically given class-configurations, state-society relations within a particular locality and their interaction with the changing international context. In other words, the absence, as much as the presence, of a state's developmental strategy and institutional capacity inherently comprises contradictions that include intrinsic class relations, ongoing power struggles among various economic fractions and interests, and their respective relations to the external world. It is therefore propounded that upgrading along value chains is in a sense the process of resolving these conflicts and contested exchanges, and building up the required societal support and institutional capacity to ensure the long-term interests of the domestic economy. Nevertheless, given the diverse nature of economic, social and political conditions, the resolution of these conflicts, at the same time, involves a broad package of class compromises, concessions or sheer repression. Thus, by its very nature, it excludes some groups at the expense of favouring others, and leads

to varying developmental outcomes and types of articulations into GVCs in the changing geographies of the global south.

3.4 Conclusion

This chapter has revisited the notion of dependency under the new dynamics of today's global capitalism. In contrast to commonly-held presumptions in current development research, this chapter has revealed that dependency relations have not faded away with the rise of contemporary globalisation, but rather have taken new forms and become more of an issue that needs to be addressed. Instead of offering a fully worked-out theory of dependency, the chapter has originally moved from a particular variant of dependency approach called *historical-structural dependency analysis* that conceives dependency as a concrete situation which varies over time and from country to country, from industry to industry. As a contribution to the current literature on the international political economy of development, the chapter has offered an up-to-date and analytically applicable framework of dependency analysis by drawing on a set of conceptual tools and insights from Schumpeter's theory of innovation, Global Commodity Chain/Global Value Chain analyses and the class-relational articulation of the developmental state.

The proposed framework has first argued that core-like and periphery-like activities have clustered in time and space, leading to polarisation in the world economy and a socio-spatial reconfiguration of the core-periphery model even in today's globalised world. The framework has also demonstrated how the current process of global stratification and re-configuration of the core-periphery model has given rise to new forms of dependency relations along hierarchically-structured global value chains. In so doing, the framework has operationalised the notion of dependency situations via the chain metaphor and related analyses. However, despite the utility of value chain analysis, this framework approaches the incorporation of value chain analysis cautiously, as the direct adoption of the GVCs perspective is likely to end up with a firm-centric, techno-industrial, market-based conception of dependency and global production. Thus, the framework has instead put the issues of dependency and upgrading along value chains into a wider socio-political, institutional and class-relational context of political economy. Deriving insights from a class-relational articulation of the developmental state, the framework has offered an explanation of why and how economic and social upgrading in value chains takes place within

particular socio-spatial entities or national economies, and what roles state-society complexes, class relations and institutional settings play in this respect.

The proposed framework has also sought to address an important lacuna in current chain/network research. It has furthered the multi-actor, multi-scaler approach in the literature, and brought the state and social classes into the discussion of dependency, governance and economic/social upgrading in value chains. Consequently, this chapter, as a whole, has developed an up-to-date and comprehensive analytical framework within which to study dependency and development within today's global periphery. Utilising the proposed analytical framework, the following chapters examine how and in what ways dependency relations have emerged and developed within the Turkish national context as the main testing ground of this research project.

CHAPTER 4

Retrospective Analysis of Dependency Relations in the Turkish National Context

4.1 Introduction

In the next two chapters, the ideas and analytical framework presented so far is concretized, developed and refined by confrontation with the political economic context of Turkish capitalist development. The historical origins and development of dependency relations in Turkey are critically examined and periodized via the utilisation of Cardosian method of historical-structuralism that constitutes the basilar approach of the proposed analytical framework. As a dialectical perspective, historical-structuralism lets us explore changes and continuities in the evolution of dependency relations not only through the systemic and structural dynamics of world capitalism, but also through the transformation of class configurations and state-society relations within Turkey. The succeeding chapters, in a sense, employ an articulation of the historical materialist methodology to reveal how the uneven and dependent nature of Turkey's development has evolved through underlying inter/intra-class relations and their manifold relationship to the state and foreign capital. In this regard, one of the principle concerns herein is to move from economistic, structural and mechanico-formal formulations to an analysis that grasps the changing nature of dependency relations, given the richness of concrete historical situations. As the analytical core of the research, such an examination provides a retrospective analysis of dependent development by attaching particular importance to shifting strategies of capital accumulation, varying modes of integration with the world economy, and changing configurations of class forces and state-society relations in Turkey.

In doing so, these two complementary chapters pursue three main objectives. First, the historical periodization of dependency relations shows how the uneven and dependent nature of Turkish capitalist development has been perpetuated and taken new forms throughout class structures and state-society complexes that are in flux, but carrying with them the legacies of earlier periods. Second, tracing the evolution of dependency

relations also enables us to pinpoint the historical and social conditions under which different type of industrial strategies and trade relations have emerged over time. Such analysis more importantly lets us understand how asymmetrical and hierarchically-structured global value relations have taken root and become embedded in the broader institutional, regulatory and class-relational context of Turkish capitalism, in which rates of capital accumulation and prospects for economic and social upgrading are conditioned both externally and internally.

In accordance with these purposes, this chapter explores the historical origins and development of dependency relations in Turkey, with occasional references to the insights derived from the Latin American and East Asian experiences. Complementing our earlier discussion on the diverse responses and paths of development in the global south, the chapter begins by placing Turkey's capitalist development into the historical and comparative context of dependency relations within the global periphery. This first section provides a three-fold periodisation of dependency relations which corresponds to different phases of the internationalisation of capital as well as accompanying shifts in the international division of labour and forms of dependence relations. The section reiterates the diverse responses and paths of industrialisation in the Latin American and East Asian cases, in order to make further inferences with regard to Turkey's respective position within the wider periphery. In so doing, this section presents a general but elucidative roadmap to trace and examine the changing nature of dependency relations from the early years of modern Turkey to the present.

Based on the above-cited three-fold periodisation, the second section discusses the incorporation of the Turkish economy into the European-centred capitalist world system in the late Otttoman Empire and during the early years of modern Turkey. This section explores the epiphanies of classic dependency, paying special attention to the legacies of the Ottoman Empire and the formation of state and society in the early decades of modern Turkey. The third section then scrutinizes how the nature of dependency relations gradually shifted from its classical form to a model of dependent development with the rise and consolidation of the triple alliance in post-war Turkey. This section propounds that international productive capital was no longer an external force whose interests were largely represented by merchant bourgeoisies and primary product exporters, but rather allying with emerging industrial capital and the Turkish state, began to share an interest in the development of domestic industry. The section puts

special emphasis on corresponding factors such as the changing modes of integration with the world capitalist context and the shifting configurations of class forces and state-society complexes over the period in question. It ultimately argues that given the uneasy nature of class conflicts and state-society relations, Turkey lacked the respective class-relational and institutional capacities to overcome the contradictions of capitalist development and thus to redefine the terms of dependency in favour of its long-term interests. Finally, the last section briefly surveys the reasons behind the crisis of decades-long capital accumulation in Turkey and discusses the step-wise transition to a new form of dependent development, which is examined in detail in the following chapter.

4.2 Internationalization of Capital, Forms of Dependence and the Position of Turkey within the Global Periphery

At the most general level, historical-structural dependency studies seek to examine how changes in the world capitalist economy lead to diverse situations of dependency in the global periphery. Therefore our examination starts with the presumption that what happens internally in Turkey cannot be apprehended without considering changes in the world capitalist context and their implications for the wider periphery. In this respect, the periodization of the world capitalist context in conjunction with the internationalisation of circuits of capital offers complementary insights allowing us to analyse subsequent changes in international division of labour and forms of dependence, and their reflections on Turkey within the wider periphery.

In retrospect, since its inception in sixteenth-century Europe, the capitalist world economy has been disposed to find new ways to expand internationally and unite the world into a single world market by transcending the confinements of national borders. Even before the recent phase of contemporary globalisation, the internationalisation of capital was well under way and capitalism was in an insatiable drive to eliminate spatial barriers.[40] As popularly cited, Marx and Engels (1998, p.39) emphasised in the *Communist Manifesto* that capitalist production and modern industry not only gave birth to the world market, but "the need for a constantly expanding market chases the bourgeoisie over the whole surface of the globe" so that it "must nestle everywhere,

[40] The internationalisation of capital and the geographical expansion of capitalism were well articulated in the writings of Marx, such as the *Communist Manifesto*, *Grundrisse* and the first volume of *Capital*.

settle everywhere and establish connections everywhere". In this sense, as Harvey (2001) puts it, since its very inception the capitalist world economy has always been under the impulsion of geographical and spatial expansion in order to overcome the contradictions of capital accumulation through "spatial fixes" by seeking out new markets, fresh labour powers, unexplored resources, or fresh opportunities for investment and production.

Thus, it is fair to say that it is the long-standing dynamic of expansion built into capitalism that has driven the internationalisation of capital and subsequent changes in patterns of geographical specialisation or division of labour over a period of 500 years or so. In arriving at its current moment of what is popularly called global capitalism, the world capitalist context has historically gone through three main phases, each of which can be distinguished by the changing nature of the internationalization of capital and corresponding shifts in the international division of labour and forms of dependence for the global periphery (Table 4.1).

Table 4. 1 Internationalization of Capital, Types of Divisions of Labour and Changing Patterns of Dependency in the World Capitalist Context

Time Dimension (with very broad strokes)	16th century to early 20th century	Early 20th century to late 1970s	Late 1970s to present
Internationalization of Circuits of Capital	Internationalization of commodity trade and the circuit of commodity-capital	The limited stage of internationalization of the circuits of money- and productive capital	The acceleration of the mobility of all circuits of capital and the development of a truly global circuit of capital accumulation and a global market
Type of Division of Labour	Colonial Division of Labour	International Division of Labour	Global Division of Labour
Form of Dependence	Classic Dependency (see Evans, 1976, 1979)	Associated-dependent Development (see, Cardoso and Faletto, 1979: Evans, 1979)	New form of Dependent Development in the age of globalization (see the related section in the theory chapter)

Source: Derived by the author from the works of Cardoso and Faletto (1979), Evans (1976, 1979), Gereffi (1994), Jenkins (1974, 1984, 2013), Bina and Yaghmaian (1988, 1991), Yaghmaian (1998), Dickens (2011).

The first phase, which spans the centuries roughly from the early sixteenth century to the first half of the twentieth century, began with a trade-based division of labour in Europe, premised on mercantile imperialism and control of an expanding worldwide trade in commodities. Starting from the early sixteenth century, emerging European powers, first Spain and Portugal, later followed by Britain, France and the Netherlands, gradually expanded their worldwide commercial interests and came to dominate much of the world, mostly through a diverse mechanism of military control, coercion and brute force (Cardoso and Faletto, 1979; Evans, 1979). This early stage of the internationalisation process was closely intertwined with the primitive accumulation of capital and marked by the spatial expansion of capitalism into peripheral social formations, primarily through the internationalization of commodity trade and the circuit of commodity capital (Yaghmainan, 1998; Jenkins, 2013). As European colonisation gained ground, state-sponsored trading companies such as the English, Dutch and Danish East India companies, the Royal African Company, the Hudson's Bay Company, and many others, were bestowed with monopoly trading rights and ventured overseas with the intention of pursuing the economic and strategic interests of their respective governments (Dunning and Lundan, 2008).

Particularly with the rise of industrialisation in the nineteenth century, the relations between European colonisers and the rest of the world underwent further changes. As industrialisation got underway in the late eighteenth century, the newly industrialised countries of Europe began to seek raw materials for their industries, new markets for their products and new sources of foodstuffs for their expanding populations. This also led to a massive cross-border movement of commodities, capital and people, and led to the first webs of the global economy. From the early 1820s through the rest of the century, international trade grew around 3.5 per cent per annum, which was accompanied by a rapid increase in the cross-border flow of market- and resource-seeking capital (Jones, 2005, p.18). Nevertheless, as Dickens (2011, p.7) puts it, this earlier phase of modern globalisation was "essentially shallow integration, manifested largely through arm's-length trade in goods and services between independent firms and through international movements of portfolio capital and relatively simple direct investment".

During these early stages of globalisation, the internationalisation of economic activities was mostly predicated on competitive capitalism and the market- and resource-seeking investments of Western capital (first notably by Britain, some Western European countries, and later by the US). Market- and resource-seeking Western multinationals were prompted to invest abroad to acquire minerals, raw materials and markets for their home industries, and to protect or widen their indigenous markets. From the standpoint of dependency relations, this period coincided with what Evans (1976, 1979) called the model of classic dependency, of which colonial and semi-colonial trade relations were the main feature. Standing at the apex of international division of labour, the industrialised core traded manufactured goods in exchange for raw materials and unprocessed foods from peripheral economies.

Over a long period of time until the early twentieth century, such geographical specialisation and the division of labour between the industrialised core and the non-industrialised periphery formed the underlying basis of much of world trade. Until the post-Second World War period, multinational manufacturing was overwhelmingly concentrated in the industrialised core economies of North America and Western Europe: 71 per cent of world manufacturing production was located in only four countries, whereas almost 90 per cent was in 11 industrialised nations (Dickens, 2011, p.14). Particularly throughout the late nineteeth and early twentieth centuries, there was an increasing flow of money and productive capital across the world, but much of it was in the form of portfolio, whereas the remainder was largely concentrated in extractive industries and public utilities, and never truly brought a qualitative transformation of industrial sectors in the periphery (Bina and Yagmaian, 1991; Jenkins, 2013).[41] As the internationalisation of productive capital remained relatively limited, dependency relations were mainly confined to the sphere of circulation and commodity exchange through, which the industrialised economies of the West became increasingly dominant in the core-periphery configuration.

This long-established geographical specialisation and division of labour was shattered by the Second World War. After the brief interruption of the interwar period, the overall productive capacity of the world economy began to re-expand and the degree of

[41] Between the late nineteenth century and 1914, there was a voluminous amount of foreign investment, but it is believed that the majority of total capital flow was portfolio. According to Dunning's (1983; 1992 cited in Jones, 2005, p.20) historical estimates, around one-third of total foreign investment was in the form of FDI, whereas possibly one third of this was in extractive industries and a further one third was in services, particularly in finance, insurance and transportation of commodities.

economic integration was accelerated by increases in the movement of goods, services, capital and information across national borders. The quarter-century after the Second World War marked a movement to a new phase, characterised by the political and economic hegemony of the United States, the renewed growth of world trade, the internationalisation of productive capital and the expansion of the activity of TNCs. The expansion and integration of the post-war world economy was facilitated by a variety of political and technological factors such as the reconstruction of the international monetary system through Bretton Woods agreements, the gradual return to convertible currencies, the liberalisation of international trade, and the development of jet aircraft, containerised shipping and international telephone and telex links (Dickens, 2011).

Concomitant with these developments, the integration and expansion of the post-war world economy brought about the internationalisation of industrial production and the breakdown of the longstanding colonial division of labour in which the peripheral economies supplied primary commodities in exchange for manufactured ones. Particularly driven by the phenomenal growth in the internationalisation of productive capital and the expansion of TNC activities led first by US capital and later by European and Japanese corporations, a growing proportion of world manufacturing began to be carried out in the peripheral economies of East Asia and Latin America (Jenkins, 1984). This gradually disrupted the old geographies of industrial production and changed the pattern of geographical specialisation between the core and the periphery. Compared to the broad division of labour of colonial times, the peripheral economies shifted away from dependence on imported manufactured goods and caught up with the core countries in their degree of industrialisation (Gereffi, 1994).

For much of the global south, the internationalisation of productive capital and the relocation of industrial production beyond the boundaries of core economies mostly coincided with the import-substitution industrialisation (ISI) strategies of the peripheral economies (Jenkins, 1984; Bina and Yaghmaian, 1988). Despite being seen as a nationalistic policy of self-sufficiency, ISI was conducive to the importation of all form of foreign capital and led to the gradual integration of the peripheral countries into the networks of global production. At this early stage of peripheral industrialisation, manufacturing industries were spatially transferred to new sites in quest of further profit, and both the creation and the realisation of value started to take place within the peripheral economies. From the standpoint of dependency relations, this limited form of

internationalisation of production brought the evolution of the periphery from classic dependence to a new stage called associated-dependent development (Cardoso and Faletto, 1979; Evans, 1979). For a number of peripheral social formations, this stage triggered the transformation of a certain segment of domestic bourgeoisies from commercial to industrial in collaboration with foreign capital, diversified the composition of industrial production, and eventually brought along a more complex division of labour, beyond primary-products.

By the 1970s and the 1980s, the world economy has entered a qualitatively new phase of global capitalism through which the economic, social, political and technological constituents of world capitalism were substantially redefined. Given a combination of new political, economic and technological developments, the internationalisation of all circuits of capital has further intensified and achieved a truly global character, starting from the 1970s (Yaghmaian, 1998). The breakdown of the Bretton Woods system of fixed exchange rates, together with the deregulation of markets and adoption of export-led growth strategies, swept away the restrictions on cross-border capital and trade flows and led to an increasing dispersion and integration of economic activities across borders (Dickens, 2011; Yaghmaian, 1998). Likewise, concomitant developments, particularly the communications and information revolution, as well as advances in transportation, marketing, automation, robotisation and so forth, reduced the barriers of space and time, allowing the reconfiguration of production and economic activity on a global scale (Gereffi, 1994; Jenkins, 2013).

What all these developments brought along is the emergence of a new global division of labour which signifies a far more complex, integrated and coordinated structure, subsuming the disaggregation and dispersion of many production processes and their geographical relocation on a global scale (Dickens, 2011). This newer form of international division of labour qualitatively differs from its predecessors and offers alternative potential outcomes for the developing countries that managed to be incorporated into it. Although the internationalisation of productive capital and the spread of manufacturing activities to the global south is nothing new, the world economy of the 1950s and 1960s was still an aggregation of distinct national economies and the production process tended to be primarily organised within national boundaries (Gereffi, 1994). Today, the pervasive internationalisation of capital and the growing globalisation of production has not only organised the production of goods and services

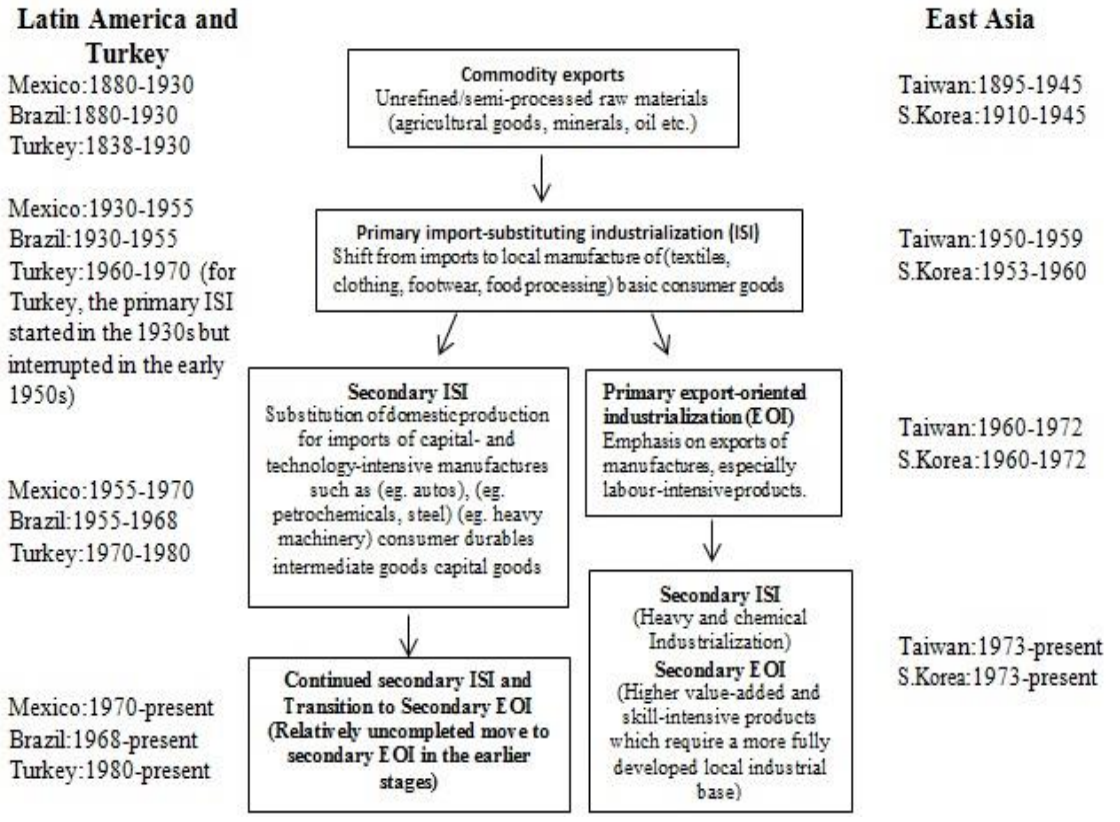
as cross-border value adding activities, but has also incorporated developing countries and regions in more complex ways than were seen a few decades ago. Because of this, the current international division of labour is no longer predicated on the core-periphery model of the post-war period, in which capital- and technology-intensive tasks were performed by developed (or core) economies and labour-intensive and low-skilled jobs were carried out in developing countries (the periphery). Today, the periphery can no longer be characterised as a low-skill hinterland; rather a growing number of developing countries have been incorporated into production tasks of varying technical complexity and sophistication. Thus, under the new dynamics of today's world capitalist context, a new form of dependent development has emerged out of the hierarchically structured global value chains, along which different situations of dependency have been concretised based on the asymmetrical nature of underlying power relations (see the related discussion in the theory chapter).

In very broad strokes, the historical trajectory of capitalist development both in Turkey and many other developing countries conforms to the stages outlined above. Nevertheless, given the diverse paths of industrialization and development strategies, the contours of the capitalist world economy presented here have generated differentiating patterns of capitalist development and dependency relations across the wider periphery. To a certain level of abstraction, a cross-regional look to Latin America and East Asia lets us sketch the general lines of the divergent pathways and strategies that typify the paradigmatic and deviant cases of dependent development. As a caveat at the outset, it should be noted that the endeavour herein is not to provide anything close to a comprehensive analysis of these two regions, given their enormous diversity with respect to population size, resource endowments, geopolitical dynamics, cultural legacies, political regimes and class structures. However, complementing our earlier discussion with the case study, the modest intention is instead to make inferences with regard to Turkey based on solid comparative generalizations derived from these two regions. Although Latin America and East Asia by no means cover the entire spectrum of differentiating patterns of capitalist development in the wider global periphery, they provide fertile ground from which to confront Turkish capitalist development with the paradigmatic and deviant cases they offer.

From a comparative perspective, the development trajectory of Turkish capitalism has been much more in conformity with the paradigmatic examples of Latin America than

the deviant case of East Asia. Particularly with respect to the divergent paths of industrialization followed within the global periphery, Turkey has gone through a similar path of industrialization to Latin American countries such as Mexico and Brazil (Table 4.2). Despite the relative time lag in the movement from one phase to another, there is a rough correspondence with regard to changes in their respective positions within the capitalist world economy, and emergence of the different forms of dependence over time. Following Gereffi (1990) and Dicken (2011), the paths of industrialization experienced by Latin American and East Asian NIEs can be identified under five stages (Table 4.2). While three of these stages are outwardly oriented, namely a commodity export phase, and primary and secondary export-oriented industrialization (EOI), the other two are inward oriented by definition: primary import-substituting industrialization (ISI) and secondary ISI.

Table 4. 1 Turkey's Respective Position within the Divergent Paths of Industrialization in Latin America and East Asia



Source: Derived and built on by the author from Gereffi (1990) and Dicken (2011).

Turkey, like the two regional pairs of NICs, passed through the early stages of industrialization-commodity exports and primary ISI, although the duration and timing of these stages varied for each country. In practical terms, primary ISI commenced

earlier, lasted longer and was more populist in Latin American NICs and Turkey than East Asian ones. The subsequent divergence in industrialization paths stemmed from the ways in which each country responded to issues related to the continuation of primary ISI. While East Asian NICs moved to primary Export-Oriented Industrialization upon mastering the technologies needed for primary ISI, Turkey, like Latin American economies, moved to secondary ISI in the hope of achieving economies of scale, relying on its relatively large domestic market. The East Asian economies enjoyed export-led manufacturing during a period of extraordinary dynamism in the world economy. As time passed, however, the favourable conditions in the world economy began to deteriorate. East Asian countries first shifted to secondary ISI and then to secondary EOI. Latin American NICs and Turkey, on the other hand, moved to a diversified export phase with a certain degree of export-led manufacturing, as well as continuation of the secondary ISI some more time.

It is clear that rather than being mutually exclusive, both the ISI and EOI strategies have been implemented by the two pairs of NICs in a divergent manner. At this point, what really matters is not the sequence or the pace at which the stages move from one to another, but the capacity and nature of the state in governing the underlying dependency relations and overcoming the challenges of capitalist development, particularly in the secondary sub-phases of each strategy. Complementing our earlier discussion of the paths of industrialization, the sub-phases of secondary ISI and secondary EOI require certain tasks and institutional innovations that are challenging in difficulty. Each sub-phase within outward- and inward-oriented development policies is distinguished by a more variegated array of technology- and skill-intensive goods and manufacturing capabilities. While the secondary ISI entails utilising domestic production capabilities to provide a substitute for imports of an array of capital- and technology-intensive goods, ranging from automobiles and electronics to petrochemicals and heavy machinery, the secondary EIO includes exportation of these more skill- and technology-intensive products at a considerable level of competitiveness, efficiency and local value-added. Thus, as each of these sub-phases involves certain types of Kaldorian collective action problems, such as increasing returns to scale, technological assimilation, learning by doing, innovation, and moving along the product cycle and value chains, it requires productivity- and innovation-enhancing development policies and institutional arrangements.

As discussed in the theory chapter, at the heart of this matter lies the state's role and capacity in shaping local accumulation processes, and overcoming negative consequences stemming from the incorporation of a local economy into the capitalist world economy. The relative success of the deviant cases of East Asia in the secondary ISI and EOI strategies, on the other hand, is largely associated with the nature of class configuration, state-society relations and the type of institutional settings in managing developmental challenges. Allying with local bourgeoisies, East Asian states, as critical actors within the triple alliance, have the capacity and will to redefine the terms of local capital accumulation vis-a-vis TNCs, and to coerce or cajole TNCs when the matter of local accumulation is at stake. Having been able to overcome collective action problems, East Asian NICs, contrary to Turkey and its Latin American counterparts, experienced greater progress in levels of industrialization and capitalist development, despite being formerly dependent upon foreign markets, capital and technology. Thus, today, East Asian countries, as the deviant cases of dependent development, occupy a distinctive structural position in the global division of labour as exporters of capital goods and technology-intensive products, with far greater capability in original design manufacturing and original brand manufacturing.

Given its lower-road of developmental and institutional capacity, Turkey has mostly remained stuck at the downstream segments of the global division of labour, such as export-processing (or in-bond) assembly manufacturing, component-supply subcontracting and original equipment manufacturering. Thus, it is argued that, based on an array of factors such as the nature of class relations, state-society complexes and modes of interaction with the external world, Turkey has been incorporated into the capitalist world economy on highly asymmetrical and dependent terms. Moreover, unlike its conformity with paradigmatic cases of dependent development, capitalist development in Turkey has its own historical specificities as well. Building on these comparative generalizations, the following sections lay emphasis on these specificities, and elucidate how the uneven and dependent nature of Turkish capitalism has developed, been perpetuated and taken new forms through historically given class configurations, state-society complexes and types of capital accumulation over time.

4.3 The Legacy of the Ottoman Empire, the Formation of Modern Turkish Capitalism and Epiphanies of Classic Dependency in the Late Nineteenth and Early Twentieth Centuries

In its long and turbulent history, Turkey, or the Ottoman Empire as it was at that time, never became a formal colony of the imperialist European powers, but was highly vulnerable to the external pressures of the European-centred capitalist world economy in many respects. The incorporation of the Ottoman Empire into the capitalist world economy initially occurred on the basis of its engagement as an international player, since it was a 'world empire' controlling a wide range of economic activities and an extensive division of labour within its territories (Özveren, 2000). In this sense, the early incorporation of the Ottoman Empire constituted a certain degree of parity with its European counterparts in respect to power relations as well as on economic terms. However, the original parity was later undermined in favour of its European counterparts leading to the full-fledged peripheralization of the Ottoman Empire within the European-centred world economy.

The incorporation of the Empire into the world economy was deepened and institutionalized by the 1838-1841 free trade treaties with European powers which abolished protective measures and extended extra-territorial privileges to all foreign traders (Pamuk, 1987). With this stream of treaties, it was no longer possible for the central authority to exert any political control over trade relations. Moreover, as European merchants' capital had the right to be taxed less vis-a-vis the natives, they also enjoyed highly favourable trade relations in their free operations across Ottoman territory (Keyder, 1981). Taking full advantage of the favourable terms provided by the Capitulations, European commodity-capital overwhelmed Ottoman markets, bringing about a complete reversal in trade relations at the expense of small-scale Ottoman industry.[42] As a result, Ottoman industry entered a period of rapid decline[43] through competition with the mass-production of European manufacturing (Pamuk, 1987).

These developments led to the end of industrialization in Ottoman Turkey, and made it more dependent on the European-dominated world economy (Berberoğlu, 1982). As Pamuk (1981) states, instead of utilising its agricultural sector as a basis for the development of domestic industry, which to some extent had been the case in the

[42] Whereas almost all Britain's cotton fabric had been imported from the Ottoman Empire in 1825 (30,533kg), by 1855 it declined to 1,506kg. In turn, Britain's exports to Turkey expanded between the years 1835-1855: cotton fabric imports by the Empire escalated from 15,846,678m to 121,254,439m; silk fabric imports rose from 20,898kg to 81,286kg; linen imports increased from 33,807kg to 599,148kg (Berberoğlu, 1982, p.3).

[43] According to a report issued by the Industrial Improvement Commission in 1868, the number of cloth-producing looms in Istanbul in the preceding thirty years had waned from 2,750 to 25; the number of brocade looms from 350 to 4; the number of upholstery silk looms from 60 to 8 (Berberoğlu, 1982, p.3)

nineteenth century, the Empire was relegated to exporter of primary products. Thus, from the standpoint of dependency relations, the structure of the late Ottoman Empire economy corresponded to what Evans (1976, 1979) called the model of classic dependency, characterized by colonial or semi-colonial trade relations. Standing at the periphery of the European-centred division of labour, the Ottoman Empire became a *de facto* semi-colony which specialized in the production of raw materials and primary products geared to the needs of European markets, in exchange for manufactured ones.

Following these developments, the social and class structure of the late Ottoman Empire also went through a transformation. For centuries, the Asiatic mode of production had been in effect as the dominant mode of production.[44] With the loss of central authority in the countryside, the old rural military/administrative system (*tımar*) was replaced by feudal forms of agriculture (*iltizam*) which over time led to large-scale private property rights in land (Çavdar, 2003; Tezel, 2005). While the class power of big landowners (*Ayans, Derebeys and Ağas*) was gradually strengthened, integration with the world economy in the meantime stimulated the rise of comprador capitalists, mainly in major urban centres (Türkay, 2009). Being relatively exempt from high taxation and hampering jurisdictions, merchants of minority groups (Greeks, Armenians, Jews, *Levantens*) became middlemen who engaged in intermediation between the local economy and the capitalist world system (Keyder, 1987). Benefiting from the asymmetrical power relations within the European-dominated division of labour, the Empire's comprador bourgeoisie held sway over local accumulation on behalf of both their class interests and the overall representation of international capital (Türkay, 2009).

As a result of these developments, the dependence of the late Ottoman economy mainly materialised through the internationalization of commodity trade and the circuit of commodity capital. Overall, the weight of European manufacturing industries in Ottoman Turkey remained quantitatively insignificant (Pamuk, 1987). Nevertheless, despite the low penetration of productive capital, foreign investments took place in railways networks and urban infrastructure with the purpose of facilitating the role of

[44] Here the term Asiatic Mode of Production is loosely used to refer to the political control of the Ottoman ruling class over the means of production and appropriation of surplus. Exercising control over the rural economy and trade routes, the Ottoman ruling class appropriated the surplus in the form of taxes and tributes based on strong local representation and disciplinary power. As the Empire lost control over the countryside and trade routes, the power of local authorities vis-à-vis the central bureaucracy increased, driving a tendency towards feudalization. This eventually led to increasing private ownership of land and appropriation of agricultural and commercial surplus independent of the central bureaucracy.

the Empire as a raw materials-supplying semi-colony.[45] Only a modest fraction of the bourgeoisie engaged in the processing and manufacturing industries, but they never became a full-blown class of industrialists resembling to national industrial bourgeoisie of Europe. These small-scale enterprises, more than 90% of which belonged to non-Moslems, were mostly concentrated in big urban centres such as Istanbul, Salonika and Izmir (Keyder, 1987, p.45). Moreover, considering their size and rudimentary nature, the number of workers employed in these enterprises also remained limited, counting 13,485 in total as of 1915 (Berberoğlu, 1982, p.8). Consequently, the mode of integration with the world economy stimulated the formation of a comprador commercial bourgeoisie and a local accumulation process linked with the commercial circuit of European capital. However, given its destructive effects on local industry, it posed an obstacle to the progression of capitalist relations of production along nationalistic lines (Öztürk, 2010).

The economic and social structure inherited from the late Ottoman Empire constituted the backbone of the urban and rural setting that modern Turkey confronted at its formation. The young Turkish state had the mammoth task of recovering the economy which had been devastated after a long period of wars and economic decay. The economic policy of modern Turkey in the 1920s was officially drawn up in the Izmir Economic Congress, representing a broad spectrum of diverse class forces. However, the congress was to a large extent dominated by representatives of Turkish merchant capital and the big landowners of Anatolia (Günalp, 1985). The corollary of the congress was to build up and modernize the Turkish economy through the encouragement of capital accumulation by a 'national bourgeoisie'. As the motto of the congress was liberalism, Turkey's economy was to remain open, but development discourse was overtly nationalistic, which over time culminated in the further replacement of the compradors of minority merchant capital with those of Turkish origin.

During this period, considerable economic growth occurred, largely based on the recovery and expansion of agricultural output, bringing with it a recuperation in Turkey's trade relations with world markets (Keyder, 1981). However, the development policies of the 1920s changed neither the inherited class structure of society, nor the

[45] Excluding financial placements, 62% of French investments in 1885 were in railways construction, 16% in ports, and 18% in municipal services. Likewise, 86% of German investments in 1914 were in railways, 5% in ports and 8% in municipal services (Keyder, 1987, p.44)

country's respective position within international divisions of labour (Berberoğlu, 1982). In developmental terms, a greater change rather took place during the 1930s after the Great Depression. To counteract the adverse impacts of the world economic crisis, the Turkish state took defensive and interventionist measures towards the domestic economy, widely known as '*étatism'* in Turkish historiography. Considering the dire effects of the depression, state-led industrialization and the 'closing' of the economy emerged as necessary policy options for the young Turkish state to follow (Günalp, 1985).

The statist policies of the 1930s did not really contradict the foundational mentality of capital accumulation in the early years of Turkish capitalism, as the main motive herein was not to substitute the private sector but to make it competent in every sense (Türkay, 2009). Since there was no potential domestic or foreign industrial bourgeoisie to take charge, the state itself stepped in as an entrepreneur, producing basic consumer goods with the aim of saving foreign exchange in the face of shrinking export earnings. Following five-year development programmes, the state built up the required infrastructure and transportation facilities, and took the first steps into industrialization, which would later be the backbone of Turkish industry (Aydın, 2005).

Despite the hectic endeavours of the young state, capitalist development in Turkey failed to fulfil the expectations of the Kemalist regime, i.e. to elevate Turkey to a fully-fledged capitalist nation with a competitive edge in world divisions of labour. In fact, since the beginning, the Turkish state was in an unenviable position in having to please diverse and often competing demands of various classes, and redefining the relationship of the Turkish economy to the world economy (Aydın, 2005). As social and class structures in the countryside and urban centres remained more or less intact, this generated a set of contradictions to the nationalistic industrialization project of the Kemalist regime. The coalition of landlords-merchants-clergy (the *Esraf*), as one of the most decisive forces, posed a major challenge to the reconstruction of the Turkish economy along capitalist lines. The alliance of the state elites with dominant classes relied on a tacit compromise: they were willing to support the bureaucratic elite and its modernization policies as long as it did not threaten the existing social and economic structure.

One major conflict between the state and the *Esraf* centred on the agricultural policies and land reform. Despite several attempts of the Kemalist state towards the land reform

in the 1930s and 1940s, socio-economic relations in the countryside remained largely untouched. The last decisive move against landlords in a five-month-long parliamentary debate led to a political split within the single-party government. Unlike the deviant cases of East Asia, implementation of land reforms were left half-finished; Turkey's industrialization without comprehensive agrarian reform would present something closer to Latin American experiences.[46] Likewise, the relationship between the state and the comprador bourgeoisie was also contradictory. Merchant capital was reluctant to transform into industrial capitalists (Berberoğlu, 1982). The class interests of the commercial bourgeoisie were shaped around the export of agricultural products and the import of manufacturing goods as the primary channel of integration into the world economy. Moreover, the increasing control of the state over foreign trade and its overt intention to incorporate the merchant class into the nationalistic industrialization project was decidedly antagonistic to the interests of the comprador bourgeoisie.

Thus, the formation of modern Turkish capitalism brought neither an overall transformation of existing class configurations nor a fundamental change in its respective place within the world division of labour (Günalp, 1985). Turkey remained at the periphery of the capitalist world economy as a supplier of raw materials and agricultural products, with a relative increase in inward-oriented industrial capacity, particularly with regards to basic consumer goods. The 'statist' economic policy of the Kemalist regime also began losing momentum with the outbreak of the Second World War. The process of industrialization was interrupted due to the de facto implementation of a war economy which was eventually followed by the opening of the Turkish economy under the Democratic Party government, representing a cross-class coalition of alienated classes, particularly the landowners and commercial bourgeoisie.

4.4 From Classic Dependence to Dependent Development: The Formation of the Triple Alliance in Turkey

The post-war period represents a watershed in the historiography of Turkey's capitalist development, witnessing a deepening of the economy's integration into the emerging capitalist order under American hegemony. In the aftermath of the Second World War,

[46] As East Asianist *dependentistas* (Lim, 1985; Gold, 1986) revealed, the disconnection of the state apparatus from the rural interests of landlords was a general characteristic of the deviant cases of Taiwan and South Korea. In this respect, Turkey's industrialization experience without comprehensive agrarian reform presents something closer to the examples of Latin American.

the Kemalist state elites faced the dilemma of reconciling a nationalistic development programme with the pressures of the post-war world economic order (Aydın, 2005). The state was not in a strong position to pursue an organically integrated national economy owing to geopolitical concerns and the pressures of alienated social classes. As the world entered a process of post-war reconstruction, Turkey needed to take sides with the Western powers for geopolitical reasons, particularly given the allegedly expansionist intentions of the Soviet Union towards Turkey. Therefore, in the immediate post-war period, Turkey shifted to a multi-party system, and began to 'liberalise' its economy, both strategies concurrently compatible with the interests of a broad coalition of alienated classes of landowners, merchant capital and clergy (Günalp, 1985).

In line with the emerging creeds of the new international economic order, Turkey gradually moved away from *étatist*, protectionist economic policies to a more liberal, open economy. Initial steps were taken in the last years of the rule of the Republican People's Party (RPP). Taking sides with the West, Turkey became a member of the IMF and the World Bank, and was involved in the military and economic aid programmes of the Truman Doctrine and the Marshall Plan, respectively. Due to its re-engagement with the West, Turkey fell in with the US and the World Bank, dismantling its *étatist* industrial structure on behalf of luring foreign capital and giving priority to agriculture to take advantage of its comparative advantage (Pamuk, 1981). This was nothing less than a restructuring of the Turkish economy in line with recommendations spelled out by the World Bank and the officers who led the American economic mission to Turkey during the late 1940s and early 1950s (US State Department, 1948; Thornburg et al., 1949; World Bank, 1951).[47]

Shortly after the Democratic Party (DP) took office in 1950 as a cross-class coalition of alienated classes, the re-engagement of Turkey with the post-war economic order was further concretised through a series of developments. The economic policies of the DP during the 1950s were well-matched with the standpoints of the World Bank and the US experts. During the period in question, the *étatist* industrialization project was laid

[47] Among others, the report of Thornburg et al. (1949) was a prominent example in which Turkey's endeavours in industrialization were outspokenly denounced on behalf of agricultural-based development. It was recommended that Turkey should dismantle its steel and iron industries, and give up its forward-looking ventures in aeroplane, power engine and machine industries since the development of industry should/would be gradually attained with increasing productivity in agriculture and inflow of the foreign capital.

aside, and special priority was given to agricultural development and modernisation, with the financial backing of foreign credits, primarily from the US (Aydın, 2005). A series of measures were also taken to stimulate the inflow of foreign capital and its operations within the country, which would lead to the formation of the triple alliance and to ascendance of dependent development in the Turkish national context.

In this respect, the initial step had been taken immediately before the rule of DP with the introduction of precursor legislations on the FDI regime and the establishment of the Turkish Industrial Development Bank (TIDB) in 1950.[48] The founding charter of the TIDB was prepared by the World Bank expert Harold Johnson. Its main motivation was to stimulate the formation of the Turkish industrial bourgeoisie in collaboration with international productive capital. This was spelled out in the charter's main objectives as follows:

(1) to found, support and build-up new private industrial enterprises;

(2) to facilitate the mutual participation of Turkish and foreign capital in the establishment of new industries within the country;

(3) to facilitate and develop all forms of ownership concordantly. (Sönmez, 1988, p.71)

The foundation of the TIDB provided an institutional mechanism that facilitated the formation of local industrial bourgeoisies in collaboration with leading multinational corporations (Öztürk, 2010). The state also took a direct role in this initiative via the Central Bank of Turkey, purchasing all the bonds of the TIDB at the outset. Meanwhile, the World Bank also granted a preliminary $9 million loan (Sönmez, 1988, p.71). The main partners of the Bank were eighteen domestic and foreign banks, seven Turkish businessmen (almost all of whom would be the well-known industrialists of Turkey), three Turkish corporations, and the Istanbul Chamber of Commerce and Industry (Sönmez, 1998, p.71). The TIDB's funds were predominantly supplied by the World Bank and Marshall Plan Counterpart Funds. In the meanwhile, various hectic efforts were also made to liberalise the FDI's regime through a series of laws in 1950, 1951 and 1954. Law No. 6224 in 1954 brought ultra-liberal provisions which remained in force for quite a long time.[49] Under this law, all areas of the economy were opened to

[48] Namely the by-law No. 13 and Law No. 5583.
[49] Law No. 6224 was then among the most liberal FDI laws in the world, considering that foreign capital enjoyed all the rights granted to local capital; see Karluk (1983).

foreign investment without restriction, and foreign corporations were given the right to repatriate their profits to their home countries or to reinvest them as and where they preferred (Dumludağ, 2002).

Owing to these developments, certain segments of the local bourgeoisie, mostly comprador merchant capital and a small section of landowners, began to transform into industrial capitalists in collaboration with international productive capital. Thanks to the favourable loans of the TIDB and the liberal FDI regime, local bourgeoisies established several industrial enterprises, flirting with leading multinational corporations. For example, the TIDB credits granted to Nejat Ezacıbaşı gave birth to one of the biggest pharmaceutical factories in Turkey, which since then has been producing drugs with foreign partners under license agreements (Sönmez, 1988). Likewise, as one of the biggest conglomerates of today's Turkey, the Sabancı Group, also established one of its largest industrial ventures, the BOSSA textile factory, with credits granted by the TIDB (Öztürk, 2010).[50]

Following the measures taken under the FDI regime, the penetration of foreign capital in the Turkish economy and its collaboration with local bourgeoisies became evident from the mid-1950s. As Berberoğlu (1982) stated, this process brought the gradual integration of the newly emerging industrial capitalists into the "worldwide production process" and increasingly subjected them to the dictates of expanding monopolist multinationals. Leading multinationals such as General-Electric, Pfizer, AEG, Sandoz, Pirelli, Unilever, Mobil, BP and Shell invested in Turkey, mainly forming joint venture companies with local partners (Aydın, 2005). However, despite the liberal FDI regime, the annual inflow of FDI remained limited compared to other developing countries, particularly cases like Mexico and Brazil (See Appendix 11). Although the annual inflow of foreign investment was relatively limited compared to other developing countries, the role of foreign capital was decisive in the transformation of local bourgeoisies into industrial capitalists through a series of joint ventures, licensing and know-how agreements. In that vein, the nature of dependence was still evident, given the multifaceted and asymmetrical relationships between the emergent industrial bourgeoisie and the leading post-war multinationals.

[50] To give more examples, the Koç Group's Türk Demirdöküm in the heating sectors, Yaşar Group's DYO in the paint industry, Kale Group's Çanakkale Seramik in the ceramic industry, Çukurova Group's Çukurova Sanayi İşletmeleri in textiles, Akkök Group's Aksu Iplik in the yarn industry were all founded by TIDB credits. See Sonmez (1988) and Öztürk (2010).

On the domestic front, this transformation in the Turkish economy gained more clarity in the early 1960s and 1970s, when a process of import-substituting-industrialisation (ISI) was officially ratified as a choice of capital accumulation. Whereas the late 1940s and mid-1950s were a period of "opening up" of the economy, the rest of the 1950s were marked by high inflation rates, balance-of-payment crises and a gradual transition to ISI. The shift to the ISI model of accumulation was also compatible with the changes in the world capitalist context. As discussed earlier, starting from the mid-1950s, international productive capital begun to increasingly invest in peripheral social formations. Particularly this became more functional through ISI policies, which enabled the creation and realization of the value of commodity capital within the Third World. With respect to Turkey, such a shift in the pattern of accumulation mainly concretised through the movement of the emergent industrial bourgeoisie into domestic markets in collaboration with metropolitan capital, for whom this was a means of recapturing the potentials of domestic markets (Öztürk, 2010). The transition to ISI facilitated the transformation of the commercial bourgeoisie into industrial capitalists, through direct and indirect ways of co-operation with foreign capital.

The initial steps in that direction had been taken in the late 1950s when the burden of high inflation combined with the constraints of over-valued exchange rates and a foreign exchange crisis led Turkey to conclude the first stand-by agreement with the IMF. This involved not only standard stabilizing measures such as devaluation of the Turkish lira, but also two important items that foreshadowed the shift in the pattern of accumulation. One was the installation of the basic mechanisms of the ISI model, putting restrictions on domestically produced (or yet to be produced) goods while enabling the importation of capital and intermediate goods. The other was the foundation of an organization for rationalizing ISI policies in Turkey (Günalp, 1985). However, the DP government was slow to realise these measures, and its policies, sticking to the earlier mode of accumulation, became increasingly problematic for the emergent industrial bourgeoisie. Moreover, the late 1950s was marked by increasing resentments on the part of urban intellectuals and students, due to the DP's overtly repressive measures and anti-secular policies (Oğuz, 2008). Therefore, with the support of the emergent industrial bourgeoisie and urban intellectuals, on May 27, 1960 a military coup was staged against the DP government, which institutionalized the new pattern of accumulation, and rapidly handed rule over to an elected parliament in 1961.

The early 1960s and late 1970s were a period of ISI-based capital accumulation during which Turkish industrial capitalism was rapidly consolidated under the framework of dependent development. Emergent industrial capitalists found common ground with international productive capital around the matter of capital accumulation behind the protectionist barriers erected by the state (Eralp, 1981). As a complementary partner of the alliance, the Turkish state provided not only the institutional mechanism for this pattern of accumulation, but was actively involved in the process, providing cheap intermediate products for the flourishing private industry, and entering partnerships with both domestic and foreign capital (Sönmez, 1988; Öztürk, 2010). In this sense, the constituents of ISI-based accumulation process were primarily composed of the emerging big industrial capitalists, evolved from the former commercial bourgeoisie, the internationalizing productive capital of the metropolitan economies, and the state which ensured the economic and institutional framework for this process (Ercan, 2002a). The nature of the relationship between these constituent forces signified the formation of the triple alliance, which gave way to the full blossoming of dependent development up to the late 1970s.

During this period, industrial capitalism in Turkey rapidly developed, representing a typical feature of the accumulation process under dependent development. As experienced in the cases of Latin America, this started with primary phase of the "horizontal ISI", which focused on local production of consumer nondurables and the local assembly of consumer durables. This was superseded by "vertical ISI", during which progressive but partial measures were taken to internalize all phases of the production of consumer goods and develop backwards in the direction of intermediate products and capital goods. In the 1962-1977 period, while GDP grew at average annual rates exceeding 7%, growth rates in Turkish manufacturing industry averaged over 10% per year, (Pamuk, 1981). In line with relatively high rates of industrial growth, the sectoral composition of the economy also experienced further transformation. While the share of the agricultural sector of GDP saw a decline from 37.5% to 23.1% between the years 1960-1978, it was partially offset by a considerable rise in the shares of manufacturing sectors from 15.7% to 21.7% in the same period (Turkstat, 2016).

As the industrialization effort was predominantly inward-oriented, the source of growth in the Turkish manufacturing sector was heavily based on the domestic demand (Celasun, 1994). Put another way, the manufacturing sector did not generate the foreign

exchange that it consumed. In fact, the share of consumer goods in the total import bill dramatically declined to 5% by the beginning of the 1970s (Günalp, 1985). Moreover, the average share of manufacturing sector in total export earnings rose from 16.7% in 1963-1967 period to 34.2% in 1973-1977 period (Ekodialog, 2014). However, foreign exchange earnings were to a greater extent based on the traditional export structure, and manufacturing export earnings were heavily concentrated in light industries such as food processing and textiles. This is why such a pattern of industrialization was only made possible by ballooning foreign debt up to the late 1970s (Aydın, 2005).

Despite the paradoxical nature of the industrial growth, the local industrial bourgeoisie achieved capital adequacy to a certain extent, and became increasingly influential within the class configuration of society. They gradually enhanced their control over commercial- and money-capital, particularly through establishing their own banks and restructuring themselves as finance capital on a national scale (Öztürk, 2010). Analogous to the *grupos economicos* in Latin American, this was concretised through the formation of Turkish conglomerates known as *holding* companies. With the acceleration of foreign penetration in the economy during this period, these holding companies deepened their relations with American, European and Japanese partners, mainly in the form of joint ventures and licence agreements (Öztürk, 2010; Sönmez, 1988). For example, Koç Holding, the biggest conglomerate in the Turkish economy, made joint ventures with Ford and Fiat in the automotive sector; with Siemens in consumer electronics; and with American Express in the banking sector. Another big conglomerate, Sabancı Holding, entered partnership with several multinational corporations, such as Uniroyal, Shell, Mitsubishi, DuPont, Philips and Goodyear (Sönmez, 1988). Backing up the multifold relationships between holding companies and foreign capital, the Turkish state also took part in this process, providing cheap inputs for the flourishing holding-led industries and having shares in newly established joint ventures (Sönmez, 1988).

Hence, it is clear that the multifold relationship between foreign capital, local bourgeoisies and the state marked the blossoming of the triple alliance in Turkey. As the penetration of foreign capital accelerated through joint ventures with local bourgeoisies and state enterprises, certain sections of the traditional comprador bourgeoisie gradually transformed into dependent industrialists. As major nexus of such an economic transformation, the Turkish state not only set the ground for the mutually accepted

pattern of accumulation in the ISI regime, but also turned into a supportive partner of both the emergent dependent industrialists and internationalizing productive capital. Despite the uneasy and conflictual nature of these relations, all partners of the triple alliance found common ground around the pattern of capital accumulation under the protective and inward-looking strategies of the ISI model. However, by the very nature of the triple alliance, the state lacked the class-relational and institutional capacity to renegotiate and redefine the terms of domestic capital accumulation in favour of the long-term interests of the Turkish economy. Unlike the cases of East Asia, the class configuration in Turkey did not allow the state to pursue a coherent development policy with the intention of managing the state of dependency when the matter of local accumulation was at stake.

Since the beginning of the ISI period, the Turkish state had been in the unpleasant position of reconciling the diverse interests of classes with the long-term project of ISI-based industrialization. In this respect, the first contradiction arose when the newly established State Planning Organization devised a plan for industrial expansion inspired by the Japanese and French examples of MITI and *commissariat*, respectively (Milor, 1989). In technocratic terms, the first planners were enthusiastic to launch a development-oriented industrialization programme along capitalist lines. British economist Nicholas Kaldor was invited to Turkey to report on Turkey's development strategy. Based on Kaldor's report, the first planners prescribed a comprehensive reform package which included the rationalization of State Economic Enterprises, agricultural reforms and the mobilization of domestic financing sources by rising taxes in the agricultural sector, which remained almost untaxed (Akçay, 2007). This reform package of the first planners led to a crisis in the political scene, since almost 158 deputies in the parliament were big land-owners who fiercely opposed land reforms, taxation on agriculture and the increasing autonomy of the planning organ. Since the planners could not put their reform package into practice they opted to collectively resign, leaving the ground open for highly politicized planning practice (Akçay, 2007, p.88).

Beyond doubt, this would not mean the end of either planning or industrialization in Turkey as industrialization took place based on five-year development plans throughout the whole period. However, due to the configuration of class forces, the Turkish state, since the early 1960s, lacked the institutional capacity to overcome the diverse collective actions dilemmas that are inherent in the process of late capitalist

development (Waldner, 1999).[51] As long-term industrialization policies were sacrificed to please various class interests, the ISI-based industrialization policies brought structural change, industrial diversification to a certain extent, but not upgrading, increasing the returns to scale and moving up along the product cycle. Put it another way, this meant the industrialization of Turkish economy at the expense of exacerbating the state of its dependency, particularly in technological and financial terms.

As the state refrained from threatening the existing order, the five-year development plans mainly aimed to consolidate and expand domestic markets through populist-developmentalist policies (see Günalp, 1985; Aydın, 2005). In its populist sense, developmentalism in Turkey not only provided support for certain classes, but also ensured the penetration of international productive capital, given rapidly expanding domestic markets, through the inefficient use of state resources. At first glance, the ISI-based accumulation strategies seemingly did not bring about inter- or intra-class conflicts, as they relied on the populist-developmentalist set of class alliances, pleasing the common interests of the diverse sections of Turkish society. However, such a pattern of accumulation contained numerous economic and social contradictions that would become increasingly evident over an extended period.

These contradictions essentially manifested themselves in two forms: one related to overcoming domestic market limitations and the others regarding the foreign exchange crisis. The fact that emergent industries predominantly served the domestic market meant industrial growth without a market crisis could be sustained by unthrifty populist policies, which eventually led to rent-seeking struggles between diverse classes (Aydın, 2005). Despite the growing importance of industrial capitalists within the class configuration, the industrial bourgeoisie could not truly establish its hegemony over commercial and agricultural capital (Pamuk, 1981). Since, they rather relied on a broad alliance with other fractions of capital, the underlying segmentation among them eventually revealed itself as rent-seeking struggle aiming to increase their respective shares, captured by the state.

[51] For an analysis of collective action problems in Turkey in the ISI period and 1980s see Waldner's (1999) institutional perspective to analyse the cross-regional variance in economic development by centring on levels of elite conflict and state formation. As mentioned in the theory chapter, this study selectively adopts the notions of Gerschenkronian and Kaldorian collective action problems from the works of Waldner (1999), Doner, (2009) and Schwartz, 2010, but brings them into the class-relational analyses of developmental state and its further implications with respect to dependency relations.

This became particularly evident in agricultural pricing policy, and the distribution of bank credits and import quotas between different fractions of private capital. Although the long-term objective was to transfer resources from agriculture to industry, short term political considerations resulted in low taxation of agriculture and high floor pricing for certain crops whose operation was unproductively financed by the Central Bank (Waldner, 1999). Beside this, the rent-seeking struggles also centred around the distribution of bank credits and import quotas between the holding-led big industrial capitalists and the small- and medium-scale capital groups of Anatolian towns (Oğuz, 2008). The conflict between these capital groups was eventually reflected in the political scene with the reorganization of big industrial groups under the umbrella of the Turkish Industry and Business Association (TÜSİAD).[52] As a corollary of the cleavage of interests between the different factions of capital, political parties proliferated in the 1960s and 1970s, being at each other's throats for a better share of economic rents for their own supporters. Thus, the uneasy nature of the relationship between the state and the different fractions of rent-seeking capital led to paralysis on the side of state and constrained them from following long-reaching development policies to improve Turkey's economic performance (Barkey, 1990).

4.5 Crisis of Accumulation, Push for Economic Reforms and Transition to a New Form of Dependent Development

No matter how far-reaching the populist accumulation regime of the 1960s and 1970s, making drastic changes in Turkish industry and transforming the economic structure concordantly, it could not avoid the limitations and contradictions of ISI strategies. The decades-long ISI model gradually lost momentum and entered a severe structural crisis towards the late 1970s. Looking into the very nature of the ISI policies in Turkey, a range of factors accounted for this. First, despite the move towards the production of more sophisticated industrial products, the local bourgeoisie had weak competitive power because they remained technologically and financially dependent upon

[52] As the big industrial capital groups gained economic strength, they became underrepresented within the Union of Chambers and Commodity Exchanges of Turkey (TOBB). Necmettin Erbakan, who spoke to the interests of small- and medium-scale capital groups as the majority, was elected chair of TOBB in 1968. However, the election was declared void by the leader of the Justice Party, as the representative of big capital groups. Erbakan founded a new political party named MNP (National Order Party) in 1970 which stood for breaking ties with American and European capital, and advocated the support for the small and medium capital groups of Anatolia, with an islamic rhetoric oriented to the Middle East. Since they were underrepresented, the big holding-led industrial capitalists formed the TÜSİAD (the Turkish Industrialist and Businessmen Association) in 1971 to pursue their class interests under a new organizational structure.

international capital, and heavily relied on the pampering of the state in their favour (Pamuk, 1981). Once ISI took root, the domestic market was opened to the penetration of international productive capital to exploit the potentials of protected markets in collaboration with the local industrial bourgeoisie. Thus, by its nature, the ISI model in Turkey was not a 'national' phase of development, but the industrialization of the economy took place under the global rationality of international capital (Keyder, 1987).

Therefore, to keep industrial production going, the economy was in need of the importation of capital, technology, and intermediate and capital goods. In practice, ISI policies in Turkey did not truly break the state of dependency in these repects. Rather, the ISI model was far from well-devised, as it lacked the respective class-relational and institutional basis to build backward linkages, to increase factor productivity and to achieve incremental gains through learning-by-doing, shop-floor practices and technological assimilation. In this sense, the Turkish industrial bourgeoisie never achieved the status of what Schwartz (1989) called a "national" bourgeoisie that would gradually secure control over the entire accumulation process and achieve a degree of productivity and competitiveness in international terms (see the theory chapter). Thus, given its low level of productivity and competitiveness, Turkish industry was oriented towards production of non-durable and durable goods, largely serving domestic markets in collaboration with foreign capital.

Although the decades-long accumulation model enabled a rapid process of industrialisation and economic growth, it contained structural limitations, particularly with respect to domestic market constraints and foreign exchange shortages. Given the fact that the industrial sector largely served the internal market, it could to a certain extent be expanded by redistributionist policies and domestic demand (Günalp, 1985). Besides, as industrial production was mainly assembly-based and structurally deprived of entering international markets, it did not produce the foreign exchange that it consumed (Ercan, 2002b, 2006). Thus the process of industrialisation, that requires the expansion of foreign exchange expenditure, was necessarily sustained with balance-of-payment difficulties and growing foreign debt.

The first signs of these limitations surfaced in the early 1970s, when Turkey signed a new austerity agreement with the IMF, in the face of a growing balance-of-payment crisis and difficulties meeting debt obligations. The agreement involved standard stabilisation and devaluation precautions, as well as a range of export promotions to the

industry sector. Besides, in the search to overcome non-competitive industrial production, wages that had enjoyed a continuous rise under the decade-long populist development policies suffered a decline in relative terms (Berberoğlu, 1982). Following a military memorandum, the rule of the care-taker government of 1971-1973 sought to implement these measures to find a way out of the emergent foreign exchange crisis. Nevertheless, the measures of the early 1970s remained abortive, as they did not bring forth an overall restructuring of capital accumulation process along export-promotion lines.

Initially, these temporal measures were relatively successful in stepping up foreign exchange earnings. They promoted industrial exports to certain extent, particularly in agriculture-based industries and textiles. Furthermore, the abandonment of over-valued exchange rates provided temporary relief since it attracted huge amounts of remittances from Turkish workers abroad (Günalp, 1985). However, towards the end of the 1970s, the contradictions of the ISI-based accumulation model entered a full-scale crisis, in the form of high inflation, balance-of-payment difficulties and decline in capacity utilisation (Keyder, 1987, Ercan, 2002a). The overall economic and political conditions in Turkey enmeshed in a state ungovernability. Owing to the combined effects of both the world-wide crises of the mid-1970s, triggered by the skyrocketing oil prices, and the internal contradictions of the ISI strategy, Turkey found itself in a desperate liquidity crunch and a classic debt crisis. To a lesser but still severe degree compared to the crises-ridden countries of Latin America, the indebtedness and the sorry state of the economy in the late 1970s once again made Turkey in need of the backup of the IMF and the World Bank. The economic crisis also extended into the political and social spheres, with the rise of country-wide tensions in the form of severe political polarization and civil strife, particularly thanks to the heightened militancy of the labouring classes and the revolutionary left (Önder, 1998).

Thus, at the turn of decade, it became evident that the ISI-based accumulation regime was no longer sustainable and needed to be replaced. In this sense, the periodic macroeconomic and financial crises of the 1970s had played a role in dissolving the broad-based domestic coalition of the ISI era that to a certain extent brought the labouring classes around to the decades-long industrialization project, mainly geared towards domestic markets (see Günalp, 1985; Önder, 1998). When it came to the late 1970s, a new domestic coalition and a triple alliance among local industrial bourgeoisie,

global capital and state bureaucracy began to form around an export-oriented model of accumulation in line with the emergent dynamics of the global economy. On that note, once again, a combination of external and domestic factors accounted for this shift in the accumulation regime.

As discussed earlier, the late 1970s and early 1980s marked the beginning of a new era in the world economy. Thanks to the full-blown internationalisation of all forms of capital, the current contours of the international division of labour started to take shape in a genuinely global manner, with considerable effects on the global periphery. The former mode of international divisions of labour that had been mainly shaped along well-protected national markets, was gradually replaced with a less regulated and more integrated one, due to which the production and realization of value began to take place on a truly global scale. In line with the emerging dynamics of new division of labour, international financial institutions (IFIs) like the IMF, the World Bank and the OECD collectively began to denounce ISI-based strategies and placed growing emphasis on export-oriented industrialization policies. In conjunction with these emerging global dynamics, a number of former peripheral countries (like Turkey) were incorporated into the global economy as export-led manufacturing hubs, and became increasingly specialized in different branches of manufacturing and in different stages of production, given their economic and institutional capacities.

All these external dynamics and actors played a crucial role in accounting for the policy shift in Turkey in the late 1970s and early 1980s, but they are not sufficient to address such a major change in the accumulation regime per se. On the domestic front, external factors also intersected with the emergence of supportive domestic coalitions and class dynamics which rendered the policy shift possible. In fact, the change in economic policy was not brought about ‘outside-in’, as the direct result of imposition of international institutions and TNCs, but domestically demanded by local bourgeoisies, particularly by holding-led big capital groups (Ercan, 2002b, 2006). Towards the late 1970s, industrial bourgeoisie had achieved a certain degree of control over domestic markets and had consumed the potentials of the domestic accumulation process (Günalp, 1985). As the inward-oriented accumulation process reached a certain level and domestic markets saturated, especially for consumer durables, re-integration with global markets through an export-oriented model of accumulation became a favoured policy option for the capital bloc, led by big business groups (Oğuz, 2008).

The reform demands of big capital groups particularly found expression in TÜSİAD's long campaign to change economic policy through a series of talks, reports and public statements (see Önder, 1998; Şahin, 2009). Throughout the period in question, TÜSİAD, as the interest organization of big capital groups, pushed for the adaptation of policies encouraging industrial exports, opening the economy to world markets and removing barriers to private initiatives (Yalman, 1997). From the viewpoint of the capital bloc, spearheaded by TÜSİAD, the overall shift of economic policy towards an open and export-oriented model was believed to solve the long-standing structural crisis of the economy and restore the capital accumulation process in Turkey. TÜSİAD's policy demands, to a considerable extent, fell in line with the policy prescriptions of the IMF and the World Bank. TÜSİAD's authorities held a series of meetings with senior officials of the IMF, the World Bank, the Federal Reserve, Carter administration and top executives of commercial banks (Oğuz, 2008).

For TÜSİAD, to revitalise the overall economy, Turkey would have to liberalise the trade regime, encourage industrial exports, particularly in labour-intensive sectors, curb domestic demand, decrease agricultural subsidies, follow a strategy of austerity and adopt restrictive measures against the labouring classes as a policy of first resort, to increase the productivity and competitiveness of domestic industry (Oğuz, 2008). Restructuring the Turkish economy along these lines would restore the credibility of Turkey in the eyes of foreign investors, and secure new sources of capital and investment opportunities with TNCs (Önder, 1998). Thus, on the domestic front, a new alliance had been formed between Turkish big capital groups and international financial centres, around the neoliberal creeds of the global economy.

In political-economic terms, this meant the break-up of the broad-based coalition behind the ISI regime and its gradual replacement with an export-oriented one. Along with global capital, the outward-oriented domestic bourgeoisie, mainly spearheaded by big business groups, were the key in the ensuing policy coalition and the carriers of the transition to the new accumulation regime. Around the same time, they also found a certain degree of political backing on the state level, particularly among neoliberally-minded segments of the bureaucracy (Şenalp, 2012). The recurrent balance of payment difficulties and the inability of Turkey to pay its foreign debts put strong pressure on the government to comply with the IMF-prescribed reform programme that would launch the economy on a new course towards an export-oriented model of growth (Bekmen,

2014). Thus, after coming to power in the late 1970s, the centre-right minority government of the Justice Party prepared a comprehensive reform package under the guidance of Undersecretary, Turgut Özal, commonly known as the January 24 Decisions.

Although the immediate intention of the reform package included quintessential stabilization measures, it was more than this, as it aimed to install a free market economy and an accumulation strategy, which would be later seen as a milestone in the transition of the Turkish economy to neo-liberalism (Aydın, 2005). The reform efforts were received with favour both by holding-led big business groups and international centres of capital. Turkey signed a four-year standby agreement with the IMF and agreed to receive new structural adjustment loans from the World Bank. However, despite the government's willingness for reform, the implementation of the reform programme was by no means clear, since the new growth strategy did not initially enjoy consensus either in society or in the state apparatus itself.

On the part of society, there was strong opposition, centred on the labouring classes and trade unions (Önder, 1998; Bekmen, 2014). Particularly, the second half of the 1970s was a period when underrepresented demands of labouring classes began to turn into political conflicts and radicalisation (Günalp, 1985). There was also a rift within the business community with respect to the outward-oriented model of growth, which was particularly pronounced among the inward-looking industrial bourgeoisie (Öztürk, 2010). In political terms, although it was incapable of formulating a viable alternative, a significant section of parliament, particularly the left-wing opposition, frustrated the implementation of the reform programme (Önder, 1998). Moreover, the minority government itself was constrained by Erbakan's National Salvation Party, which occasionally threatened to withdraw its support from the government. Given all these factors, the social and political basis for the implementation and enforcement of the new economic policy was to a considerable extent lacking, leading to a crisis of political representation on the part of reform-demanding segments of society.

It was at this juncture of representation crisis and power vacuum that the military overthrew the civilian regime and took power on September 12, 1980, in order to 'defeat terrorism' and restore the social and political stability which had been in a phase of decay. In fact, the prime objective of the coup d'état was not to promote the new economic policies, but the military regime in fact secured the political-institutional

conditions for the transition to an export-oriented form of accumulation. Soon after, the military junta declared its adherence to the IMF-prescribed reform programme and the economic management was given to a team of neoliberal technocrats, headed by Turgut Özal, who had been the main architect of the January 24 Decisions (Günalp, 1985). Around the same time, a series of repressive measures such as suppression of labour movements, closing of trade unions and all political parties, and dismantling of channels of representation were adopted, cracking down on potential opposition to the new course of action in the economy (Aydın, 2005). This, in a sense, meant that the military rule was not in fact isolated from the undergoing class relations and political struggles. By following anti-labour and pro-capital measures, the military rule set itself to reframe state-society relations and restructure the socio-political context of the country in accordance with the mentality of the new accumulation model. As will be discussed in the following chapter, the military coup, in other words, set the stage for the emergence of a new form of dependent development which would bring with it the overall restructuring of the accumulation regime, as well as underlying class relations in Turkey.

4.6 Conclusion

This chapter has traced and examined the historical origins and development of dependency relations in Turkey from the earlier years of the Turkish Republic to the late 1970s. In so doing, it has inquired about the ways in which the incorporation of the Turkish economy into the world capitalist system, through a shifting configuration of class and state-society complexes, created uneven and asymmetrically dependent forms of development. On that note, the chapter has shown that standing at the edge of international divisions of labour, the late Ottoman Empire and the young Turkish Republic, at the outset, relied on the export of primary products in exchange for manufactured ones from the core. In the long historiography of Turkish capitalism, this period coincided with the classic model of dependency, in which dependency relations were mainly confined to the realm of trade. Despite the measures taken to bolster industrialisation and create a modern bourgeois society, the Kemalist Revolution did not bring overall change either in the inherited class structure of socety or in the position of Turkey within international divisions of labour.

Particularly, along with the new developments in the post-war era and the internationalisation of productive capital across the world, Turkey underwent a far-

reaching transformation in economic and social terms, during which certain segments of commercial capital gradually transformed into industrial bourgeoisie, in collaboration with international productive capital. This period was marked by the formation of the triple alliance in Turkish national context and the ascendance of a model of dependent development. As discussed throughout the chapter, under protective and inward-looking growth strategies, Turkey experienced an accelerated process of accumulation and industrialisation, constituting the backbone of industrial structure for the recent period. However, given underlying inter- and intra-class conflicts and the uneasy nature of state-society relations, Turkey, since these earlier periods, lacked the respective class-relational and institutional capacities to overcome the contradictions of late capitalist development, and thus to redefine and reverse the terms of dependency in favour of its long-term interests. Consequently, when the industrial bourgeoisie, along with foreign capital, reached a certain degree of maturity and consumed the potentials of inward-oriented growth in the late 1970s, Turkey headed towards a new form of dependent development, which is to be thoroughly discussed in the following chapter.

CHAPTER 5

Changing Contours of the Triple Alliance and the Rise of a New Form of Dependent Development: Global Capital, Social Classes and State in post-1980 Turkey

5.1 Introduction

As discussed in the preceding chapter, towards the late 1970s, it had become more evident that the decades-long inward-oriented model of accumulation was no longer sustainable. Thus, when it came to the early 1980s, a new domestic coalition and a triple alliance had already formed around the recently emerging strategy of export-oriented accumulation. In that sense, the early 1980s ushered a new era in the long historiography of Turkish political economy with respect to the pattern of capital accumulation and mode of integration with the capitalist world economy, and the configuration of class forces and dynamics of dependency relations. Therefore, furthering our country-level analysis, this complementary chapter scrutinises how such a multifaceted transformation has given rise to emergence and consolidation of a new form of dependent development from the early 1980s to the present.

To that end, this chapter's first section critically examines how the shift to export-led model of accumulation altered the configuration of class forces and state–society relations in post-1980 Turkey, particularly focusing on far-reaching transformation of society and state structure in Turkey with the launch and institutionalisation of the first wave of structural reforms during the 1980s. On that note, the section explores how long-standing inter- and intra-class cleavages and the uneasy nature of state–society relations were reproduced under the export-led accumulation model, and how the reform-demanding industrialists of the ISI era started to be incorporated into the dense network of global trade and production on asymmetrical and dependent terms, leading to the slowing down of the export-led accumulation process and financialization of the economy in the 1990s. Particularly looking into the lost decade of 1990s, the second section explores further transformation of economy and state–society relations in Turkey along with the liberalisation of financial markets which simultaneously provided

a temporal relief in terms of the accumulation process and intensified the underlying intra-class cleavages both in institutional and political terms.

As the potential of export-oriented-cum-financial-led accumulation had been exhausted, the first generation reforms of the 1980s and 1990s were later followed by a new wave of structural and institutional reforms post-2001, marked by increasing competitiveness and productive capacity of the economy based on a deepened form of internationalisation and collaboration with the global capital. The chapter's third section focuses on this recent phase, which institutionally crystallised the captive nature of the Turkish triple alliance and consolidated the new form of dependent development that outcropped in its preliminary form in the 1980s. To that end, the section discusses and enquires about the ways in which Turkish economy and state structure has been increasingly incorporated into global capitalism's governing mentality through a series of legal and institutional arrangements in economic governance and state structure.

Furthering our country-level discussion, the last section critically examines the increasing productivity and competitiveness under the reign of global capital and explores different shades of dependent development during the period in question. The section propounds that in conformity with Latin America's paradigmatic cases, the Turkish economy and manufacturing industry have gone through a far-reaching transformation when total export earnings and export-led manufacturing has considerably increased, accompanied by far-flung convergence in the industrialisation level as well as manufacturing output diversification in terms of sectoral and technological composition. However, despite the recent rise of the economy, the section further argues that given the inter- and intra-state cleavages and the state–society relations, Turkey's capitalist development has remained stuck in structural limitations, economic and social contradictions and developmental challenges, which manifest as corollaries of a new form of dependent development.

5.2 Reconfiguration of State–Society Relations and Collective Action Dilemmas in the First Phase of Structural Reforms (1980-1989)

Starting with the coup, the 1980s represents a watershed moment in Turkey's integration into the globalizing world economy, marked by increasing export-led manufacturing and export earnings in the foreign trade (Taymaz and Voyvoda, 2012). Like its Latin America counterparts, Turkey implemented a drastic reform package

aimed at the export promotion, foreign trade liberalization and institutionalisation of market-based economy. Like Mexico's tecnoburócratas, Chile's Chicago boys or Domingo Cavallo's technocratic elites in Argentina, Turgut Özal, Mother Land Party's newly elected PM and a former World Bank employee, formed a reform-friendly managerial cadre to follow an export-oriented growth strategy based on economic-cum-political repression of labouring classes (Yalman, 1997). Under the decade-long reform programme, a series of export promotions, such as tax rebates, export credits, and preferential loans were provided, and cost-reducing and demand-restrained policies, such as wage repression and devaluation, were adopted to promote export-oriented manufacturing (Aydin, 2005).

As a result of these changes in economy policy, Turkey went through a far-reaching transformation, whereas the overall export earnings almost quintupled between 1980 and 1990, from 2.9 billion dollars to 12.9 billion dollars; manufacturing's share in exports increased from 36% to 80% (Turkstat, 2015). Thus, with the rise in export manufacturing, the ISI era's reform-demanding dependent industrialists started to be gradually incorporated into global accumulation circuits though a dense network of trade and production relations (Önder, 1998). In a sense, the transition to export-oriented model of accumulation gradually dissolved the ISI era's mostly domestic-oriented industrial structure and value relations, replacing it with one more compatible with the global economy's emerging dynamics.

Such a transformation in the economic sphere was simultaneously accompanied by changes in class dynamics and state structure in post-1980 Turkey. With respect to class relations, the shift to the EOI model of accumulation shifted the balance of class power in favour of globally-oriented segments of domestic bourgeoisie, marginalizing the interests of labouring classes, the mass population and the nationally-oriented bourgeoisie (Özekin, 2014). Having cross-border strategic alliances with TNCs, the reform-demanding big industrial bourgeoisie – their class interests institutionally represented by TÜSİAD – largely benefited from the new model of accumulation (Yalman, 1997). Along with them, Anatolian-based business classes, who had mostly shied away from industrial endeavours, also gained a stronger foothold in industrial terms (Buğra, 1994). On the other hand, the export-led growth model narrowed down the ISI era's broad-based class coalition and so curtailed the class power of organised labour and agricultural classes. To increase export capacity, domestic demand was

tightened by strict wage and agricultural prices policy. Thus, the gains made in wages and agricultural incomes during the pre-1980 period were gradually eroded (Aydin, 2005). In this regard, the new accumulation model's major distributional burden fell on the salaried and wage-earners. Starting from 1980, the export-led growth policy alienated the working classes' interests and smashed organised labour's class power (Boratav et.al, 2001).

Under class dynamics' changing context, the role and function of the state and its relation to classes were also restructured. As one of the major nexus of economic transformation, the state set the political and institutional context to secure the rights of capital and reorient the society towards an export-led accumulation model. As alluded earlier, this came from socio-political and institutional changes marked by the ascendance of neoliberal authoritarian statism (Oğuz, 2008; Özekin, 2014). During this period, the political and economic spheres were narrowed down on behalf of certain segments of the society. While the representative channels of mass population were fiercely cut off, the globally-oriented capitalist classes' interests remained and were even enhanced institutionally. Following the 1980 coup d'état, 600,000 people were taken into custody, 200,000 were prosecuted and almost all democratic means for the representation of social classes were curtailed with the shutdown of 23,657 associations (Bekmen, 2014, p. 51). However, TÜSİAD, the globally-oriented capital groups' class organisation, remained untouched and became increasingly operative during the reform process. Besides, interests of global capital started to be institutionally represented with the establishment of the Foreign Capital Association (YASED).[53] In this sense, the post-1980 reform process, which was itself a product of class politics, aspired to build a "depoliticized society" and a "strong state" that marginalized the interests of wider society at the expense of the alliance of global capital, local bourgeoisie and the state around the new growth strategy.

In line with this direction, the Turkish state concomitantly restructured itself in order to accommodate the new dynamics of class configuration and economic internationalization into its organizational structure and internal hierarchy. This was materialized through institutional arrangements which brought along an increasingly

[53]Starting from mid-1980s, YASED became an influential capital organisation which directly participated in restructuring Turkey's economy and state. YASED launched discussions and issued policy recommendations for economic governance. It compared notes with the state authorities, including the PM, and became a member of The Foreign Economic Relations Board (DEİK) in 1987.

centralized and concentrated economic governance designed to secure the implantation of export-led growth policies (see inter alia, Önder, 1998; Oğuz, 2008; Bekmen, 2014). In a sense, the state mediated and internalized class interests of the global capital and the local bourgeoisie's globally-oriented segments through a series of institutional arrangements (Özekin, 2014). To that end, the institutional structure of the state, installed along the lines of the interventionist and inwardly-oriented growth model of the 1960s and 70s was dissolved or relegated to an uninfluential position (Güzelsarı, 2007). The developmental role of traditional institutions such as the State Planning Organization and the Ministry of Finance was almost reduced to economic forecasting and revenue collection respectively, whereas economic governance was handed over to outwardly-oriented and highly-centralized institutions, directly attached to the PM's office (Önder, 1998).

Directly attached to the prime ministry, two new institutions – the 'Coordination Board' and the 'Money and Credit Board' – were established in the early 1980s for policy areas of foreign trade and monetary policy respectively. These two institutions functioned as special economic apparatuses, endowed with the rights of coordination, consultation and even decision-making on economic internationalization issues (Oğuz, 2008). Likewise, the formerly held responsibilities of the Ministries of Finance, Trade and Industrialization, and State Planning Organization were concentrated in the hands of a newly-established Undersecretariat of Treasury and Foreign Trade (Oğuz, 2008). Again, directly attached to the prime ministry, the Undersecretariat of Treasury and Foreign Trade functioned as another specialised economic apparatus that sidelined and monopolised the aforesaid institutions' traditional roles for the sake of the economy's global integration. In short, these specialised structures' centralisation of economic governance excluded the former bureaucracies and institutions from economic decision-making and restructured the executive branch's internal hierarchy to smoothen economic internationalisation (Özekin, 2014). Besides, a set of legal arrangements also strengthened the executive branch's overall position vis-à-vis legislative organ. In constitutional terms, the Council of Ministers was empowered to issue law decrees under certain conditions. Mostly relying on such constitutional empowerment post-1980 governments were able to bypass the parliamentary process and the popular pressure with regard to the reform process' critical legislation (Önder, 1998). In fiscal terms, they also enjoyed a certain degree of financial independence in implementing the reforms as

they were entitled to extra-budgetary funds, freed from the legislative branch's approval (Güzelsarı, 2007).

As such, the state's function and internal hierarchy were overall restructured in line with the reconfiguration of class forces and state–society relations in the 1980s. In a sense, this can be seen as internationalization of the state structure in accordance with the economy's and so the class structure's re-articulation into global capitalism (Özekin, 2014). Such an overall change relied on mediation and securing of rights of both global capital and globally-oriented segments of domestic bourgeoisie. On that note, the centralization of economic governance was believed to insulate the reform process and economic decision-making from the oppositions of a wider society and class forces' clashing interests. Thus, the so-called policy insulation would ideally secure export-led growth and promote the export-oriented capitalist classes' competitiveness through a wide range of incentives, such as tax rebates, low-interest credits, and priority in imported inputs procurement (Kepenek and Yentürk, 2004).

In this sense, one of state restructuring's expected outcomes was an institutionally strong and insulated state structure and thus an end to long-standing distributive conflicts, rent-seeking mentality and collective action problems in the economy. Nevertheless, the restructuring of Turkish economy and state structure was itself a class strategy *par excellence* that contained inter- and intra-class cleavages. On that note, the export-led accumulation policies lacked either a strategic perspective or an effective class-based institutional setting, given the state–society relations' contradictory nature. In capitalist developmental terms, the export-led growth strategies were implemented through a weak institutional framework suffering from a coherent reform alliance, particularly capitalist classes. As discussed earlier, the Istanbul-based and holding-led first generation industrial bourgeoisie constituted the principle class actor in the post-1980 economic setting (Ercan, 2002a; Oğuz, 2008; Öztürk, 2010). However, although gaining precedence as the export-oriented growth strategies' main beneficiaries, they never became a genuinely hegemonic class fraction as they shared the transformative project with global capital and the growing industrial bourgeoisie of the Anatolian towns.

In fact, the period following the launch of outward- and export-oriented growth policies was simultaneously accompanied by industrial capital diversification and increasing fragmentation of the domestic capital blocs. The export-led growth stimulated the rise

of industrial towns out of Istanbul and Eastern Marmara and the growth of mostly small and medium scale industrial enterprises as the second-generation industrial bourgeoisie.[54] During this period, Turkey witnessed *Anatolisation* of industrial capital and increased transformation of the Islamic commercial capital into industrial bourgeoise, altering the outlook of class dynamics in Turkey (Özcan and Turunç, 2011). Mostly energized by a lower-road of manufacturing role in global division of labour, the Anatolian heartland's industrial bourgeoisie took advantage of the low wages and limited worker rights to produce for the export markets (Bekmen, 2014; Savran, 2015). Employing non-unionised workers with little or no social security and health benefits, they gained a foothold in the low-tech and labour-intensive industries, such as textile, food processing, and wood products (Pamuk, 2008a). Performing mostly as subcontract manufacturers in these sectors, this new generation of industrial bourgeoisie also relied on informal workers who were employed and paid lower than the legal minimum, and women and even child labour as an integral part of their accumulation process (Köse and Öncü, 2000; Ercan, 2002b). Moreover, mostly benefitting from different accumulation strategies and modes of internationalization through Islamic financial and trade networks, they rose as a capital fraction more capable of settling accounts with the first generation of industrial bourgeoisie for domination over economic policy making, international orientation of the economy and accumulation pattern (Kaya, 2011; Savran, 2015).

Thus, the capitalist classes' and subsequently the state elites' increasing fragmentation paralysed the state's institutional capacity to design, steer and implement productivity- and competition-enhancing export-oriented industrialisation strategies to a considerable extent. At first glance, there seemed to be a certain degree of cohesiveness between different capital fractions with respect to export-led accumulation based on the labouring classes' political-cum-economic repression (Aydin, 2005). However, the long-standing cleavages between different fractions of capital surfaced shortly after the implementation of export-oriented strategies and incentives. Under the capitalist classes' increased fragmentation as self-conscious fractions seeking their own interests, the relations between state and different fractions of capital were based on a shaky and

[54] For the liberal and mainstream accounts on the rise of Anatolian capital groups, see, Filiztekin and Tunali (1999); Önis, (2002); Özcan and Cokgezen (2003); Pamuk (2008a) and Bugra, 1994, Bugra and Savaskan (2012). For some critical discussions see inter alia, Ercan (2002); Oguz (2008); Kaya (2011); Özekin (2014) and Savran (2015).

noninstitutionalised alliance due to which export-oriented industrialisation strategies were implemented in a politicised and uneven fashion (Özel, 2015).

Thus, conforming more with Latin American cases than the East Asia ones, the uneasy relations between the state and domestic capital complicated the ways of developing information exchange and reciprocal relations channels, and using strategically designed sector- and firm-specific measures to restructure the export-oriented industries along nationally capitalistic lines. Rather, having been in intense rivalry, different fractions of capital engaged in particularistic relations and bargaining with the political and state elites (Özel, 2015). In Turkey where the ratio of domestic savings remained historically low, subjecting capital investment to financial inflows, public resources and mediation, the bureaucratic and political scene easily became a focal point of conflict for the intra-capitalist cleavages (Bekmen, 2014). This manifested in the earlier stages of export-led growth strategy when the underlying intra-class cleavages centred around public incentive and export subsidy distribution. On that note, the post-1980 period did not bring a rupture but a change in the rent-seeking mechanism as the state was actively involved in rent creation and promotion of a rent-seeking mentality in several new ways (Aydın, 2005; Bekmen, 2014; Önis and Webb, 1992).[55] Although one of the export-promoting reforms' expected objectives had been eliminating the rent-seeking mechanism through transforming the bureaucracy's skeleton, the new managerial team and the political layer of state itself became a centre of rent creation (Aydın, 2005).

As the coordination between different capital groups and the state had been in ad hoc and never taken a collectively institutionalized format, the discriminatory attitudes and clientele relations remained pervasive for the state–capital relations. Thus, long-term export-oriented growth strategies were mostly sacrificed to the short-term interests of different fractions of capital. Given the export-oriented policies' rent-seeking nature and the increasing intra-capital cleavages, a coordination-inducing and cohesive alliance between the capital fractions and the state could not be secured to design and implement a systematic and innovation-enhancing industrialization strategy. Overall, the alliance lacked reciprocal relations and efficient institutional setting to solve the collective action dilemmas, particularly the Kaldorian ones that would mobilize the scarce

[55] The new ways of rent creation involved tax rebates and funds for export-led businesses, import surcharges, preferential credits and debt postponement for those close to power holders, and amnesties for 'economic crimes', among other things.

resources towards productivity- and innovation-enhancing industrial development, leading the industry towards the higher value-added segments of global value relations.

Thus, the development strategy which had prioritised export-oriented industrialization bolstered the export capacity and foreign trade volume. However, given the nature of state–capital relations and the lack of a strategic and long-term vision in outward-looking policies, the quantitative changes in the total export were not accompanied by genuinely qualitative developments in productivity- and technology-enhancing investments in manufactured exports. Rather, the export and public incentives granted in a non-selective and clientele fashion either revitalized the unutilised industrial capacity of the pre-1980 era or energized the lower-road of manufacturing activities, particularly in labour-intensive sectors (see inter alia Aydın, 1997, 2005; Pamuk, 2008b; Taymaz and Voyvoda, 2012). Against expectations, neither holding-led big industrial groups nor the second generation of Anatolian or Islamic SMEs invested in globally leading sectors or competitive segments of the existing sectors that would result in industrial upgrading along value chains (Bekmen, 2014: Özekin, 2014).

Because these capital groups had been in a captive alliance with international capital, they adjusted to the new export-led growth strategy and integrated into global production in a more conservative and dependent manner. Instead of adopting a more aggressive stance that would increase the control over the entire circuit of accumulation and enhance global competitiveness, they exploited cheap labour and used non-selective export incentives. In this sense, the labour power's economic and political repression also best served the market-follower industrial bourgeoisie' lower-road accumulation strategy in Turkey since they remained stuck at routinized technologies and production methods, which characteristically required absolute value extraction and immiseration to secure export competitiveness. Thus, the export-led growth strategy did not enhance industrial productivity and upgrading, which could have been converted into a high-level sophistication in manufactured exports and economic competitiveness. Rather, the Turkish economy's reintegration into the world capitalist system and the global value relations actualised alongside increasing dependency in terms of technology, market and manufacturing inputs (Aydin, 2005). Overall, despite the growth in export capacity, no significant change occurred in the sectoral and technological composition of export as it consisted of the low- and mid-low technology sectors, such as textile, food processing,

glass and metal products, and mostly remained in the lower segments of global value chains (Taymaz, Voyvoda and Yilmaz, 2011).

5.3 Crisis of Capital Accumulation, Financialization of Economy and Lost Decade of the 1990s

Towards the end of the 1980s, the export-led accumulation strategy mainly based on wage suppression, depreciation of domestic currency and the rent-seeking mentality reached its political and economic limits (Boratav et al., 2001; Ercan, 2002b). In fact, the post-1980 growth strategy had never secured a wider social base as a development project mutually shared by the lower segments of society. First, this became more apparent with the proliferation of a number of political parties, both left and right, as the channels of wider social resentment upon the lifting of political bans in 1987 (Bekmen, 2014). Besides, the growing social unease also manifested itself in the Spring Actions of 1989 when the labouring classes were remobilized as the first wave of mass actions, leading to relative recovery in wages (Oğuz, 2008). Second, the shaky alliance between state and capitalist classes also started eroding, given the increasing fragmentation between different capitalist groups and the discriminatory/clientelistic relations. Particularly, the state authorities' favourable attitude towards the new generation of industrial bourgeoisie caused resentment within big capital groups (Özel, 2015). And last, negative signals also came from the economic realm as the export-led growth had lost its momentum given the lack of industrial upgrading and the low level of productivity-enhancing investments.

Thus, both the large-scale capital groups and the state saw the financial liberalisation of the economy as a way out of the accumulation impasse (Ercan, 2002b). Basically, it was expected to finance both the domestic bourgeoisie's increasing capital needs and the state's budgetary deficit due to the offsetting of the non-productive public and export incentives. Therefore, the capital account liberalization and the full convertibility of Turkish lira in 1989 furthered the first-generation reforms, after which the accumulation process gained a temporal momentum and relief from the financialization of the economy (Yentürk, 2005). On one hand, such a shift in economic policy helped to overcome the accumulation crisis of the late 1980s as it attracted short-term capital inflows, or hot money, to finance the budgetary deficits and the local bourgeoisie's capital needs. On the other hand, it was costly in the longer term as the hot money flows generated a vicious circle of increasing capital volatility, heightening debt levels and

consequently macroeconomic instabilities. Thus, commonly referred to as ‘the lost decade’ or ‘the decade to forget’, the 1990s were marked by the Latin Americanization of Turkish economy, in that the growing dependence on and vulnerability to foreign financial inflows and global financial cycles led to high interest rates, loss of overall macro-economic sovereignty and debt and inflation, leading to short-term cycles of economic crises (Bekmen, 2014).

In this sense, what gradually characterized the 1990s’ economic situation was a pattern of speculatively-led capital accumulation in which the financial sector gained a greater degree of leverage over the industry and real economy (Yeldan, 2006). Overall, this succeeding phase saw the prevalence of arbitrage-seeking capital flows and short-term alliances built between the different capital groups and the political elites, manifesting on the political scene with the formation of seven different coalition governments within a decade (Özel, 2015). Lured by the easy source of hot money, governments of the 1990s used financial inflows to sustain their expansionary fiscal policies for electoral survival and finance the resulting indebtedness. This engendered a spiral-like process as the bank-owning big capital groups – which could borrow from abroad at lower interest rates – brought large numbers of government bonds at high interest rates.

Particularly, the Istanbul-based, holding-led big capital groups became the main accomplices of this process as the holding’s banks functioned as intermediaries for the state’s external borrowing (Oğuz, 2008; Yentürk, 2005). Taking advantage of a poorly regulated banking system, these capital groups promoted the state’s indebtedness further as the major clients of government bonds and hosts of short-term foreign capital. As the financialization of the economy came to the fore, the underlying intra-capitalist cleavages also intensified. In fact, the easy profits of arbitrage created a new rent-seeking realm for different capital fractions in which the second-generation bourgeoisie of the Anatolian heartland was mostly pushed aside as late comers (Oğuz, 2008). Therefore, the capital groups, which mostly organized around Islamic social networks and shared a sense of marginalization within the economy’s ruling alliance began to mobilize to take some power from the earlier generation of bourgeoisie. Such a shift in intra-capitalist conflicts visibly manifested both in restructuring of the Anatolian/Islamic bourgeoisie in organizational terms and the rise of political parties that translated their intra-class interests into the political arena.

As discussed earlier, the rise of export manufacturing since the early 1980s had given way to the spatial expansion of industrial activity and the Anatolianisation of industrial capital. During the 1990s, various Anatolian provinces underwent further socio-economic transformation in this direction. Particularly encouraged by the rising number of the Organised Industrial Districts (OSBs), a new array of industrial towns across the Anatolian heartland emerged as centres of global production and local clusters of global value relations. Furthering the outward-orientation of the Turkish economy, the number and geographical distribution of the OSBs considerably increased during this period, from 39 in 1989 to 138 in 1999 (see Appendices 12 and 13 respectively). Given their globalized nature and outward orientation, the newly established OSBs of the 1990s became new hubs of export-oriented industrial production, which in turn altered the intra-class dynamics in Turkey (Öngel, 2013).

The pronounced manifestation of economic and political power of the pious or so-called 'Islamic' bourgeoisie of Anatolian towns[56] as a self-conscious capital fraction came to light along with the rise of the OSBs (Dogan and Durak, 2014). As these capital groups gained a certain degree of ascendency, they positioned themselves against the mainly Istanbul-based big capital groups under TÜSİAD. Defining themselves as Turkey's marginalized and 'authentic bourgeoisie', the pious bourgeoisie established their own business organizations, such as the Independent Industrialists and Businessmen's Association (MÜSİAD, founded in 1990), the Business Life Cooperation Association (IŞHAD, founded in 1993), and the Anatolian Business Association (ASKON, founded in 1998). Thus, the 1990s were marked by the proliferation of business organizations. As of 1997, 29 out of 35 business associations listed in the National Institutions Guide were founded after 1990 (Çokgezen, 2000). The foundation of such business associations unearthed the intra-class cleavages, reflecting the increasingly polarised nature of the intra-capitalist relations in Turkey during the 1990s (Savran, 2015).

Institutionalising and transmitting the interests of pious capitalists, the newly flourishing business associations of the 1990s concretised the lack of cohesion and common perspective between Turkish capitalist classes, namely, the Islamic bourgeoisie and the westernised-secularist big capital groups (Kaya, 2011; Savran, 2015). Concordantly, the

[56] Despite the generalizations in the literature, the pious or Islamic bourgeoisie is not a uniform capital fraction in terms of economic scale and geographical distribution. In fact, the business organizations of the pious capital were more than a coalition of SMEs in the Anatolian heartland. Certain members of these associations were also composed of big capital groups (Islamic Holdings) and the Istanbul-based bourgeoisie, reflecting the class heterogeneity.

concretised incoherence between these two major poles of capital also reverberated throughout the political sphere as different capital fractions formed short-lived alliances with political parties to influence economic policy-making and enhance their respective gains from the state and the local authorities. Thus, the political scene of the 1990s was increasingly marked by the rule of the shaky coalition governments having clientelistic ties with different capital groups (Bekmen, 2014). In socio-political terms, such a situation was the symptom of political hegemonic crisis of 1990s Turkey as no coalition government managed to construct a successful hegemonic project to unify the dominant class fractions and obtain the consent of the wider society (Akça, 2014).

Coupled with the intra-class cleavages, the crisis of political hegemony provided the vacuum through which political Islamism rose as a multi-class political movement, bringing together the pious capitalist classes organized under their own business associations, the upwardly-mobile conservative middle classes and the subaltern segments of the society (Akça, 2014). Erbakan's National Outlook Movement, contesting under the banner of the Welfare Party, first achieved electoral success in medium-sized and big municipalities, including Istanbul and Ankara. Then, in the second half of the 1990s, it emerged as the leading party in the parliament, forming a coalition government with the centre-right DYP. Articulating discourse based on a moralist and culturalist critique of Westernism, monopolist capitalism, and the state's Kemalist ideology, the Welfare Party found a foothold among an alliance of the marginalized segments of the society, the pious bourgeoisie and conservative middle classes opposing the traditional power bloc of Turkey, allegedly comprising laicist and estranged civil-military bureaucracy, big capital groups and urban middle classes.

All in all, given the society's increasing fragmentation and deepening political hegemony crisis, the Turkish state's institutional capacity to design, coordinate, and implement long-term and productivity-enhancing development policies declined. Starting in the 1980's, the export-led growth strategy had been built upon the uneasy nature of state-society complex that never truly reconciled the intra-class cleavages and secured consent of the wider society around a successful capitalist development project. Mostly suffering from Kaldorian collective action problems, neither Istanbul-based big capital groups nor the pious Anatolian bourgeoisie could achieve a genuine industrial upgrading for an increased level of local control over the entire production and accumulation process. Rather, the financialization of economy during the 1990s became

increasingly detrimental in terms of the real economy, as the manufacturing investment level gradually decreased due to both the big capital groups' arbitrage-seeking activities and the high interest rates-cum-inflation that made further investments increasingly unfavourable for SMEs (Ercan, 2002b). Even though the mechanism of financialization increased the profitability of capital to a certain extent, it was accompanied by constant drops in the creation of surplus value, high rates of inflation, budgetary deficits, and debt burden. Since the economy's productive capacity could not endure the ever-increasing debt burden, the sudden drops and reversals in financial inflows manifested in financial crises in 1998, 2000 and 2001, leading to a new wave of structural reforms in the 2000s (Bekmen, 2014; Oğuz, 2009).

5.4 Second Wave of Structural Reforms and Increasing Submission to Governing Mentality of Global Capitalism

The 'twin crises' in 2000 and 2001 clearly highlighted the Turkish economy's structural weaknesses that could no longer be overcome by taking additional measures and pumping extra liquidity, but by long-term structural and institutional reforms in the economy's productive capacity. In fact, initial steps in this direction had been taken in 1998, when the East Asian economic crisis arrived in Turkey, which was suffering from high levels of debt and chronic inflation. As the export-oriented-cum-financial-led accumulation's potential had reached its limits, the 1999 IMF-led economic recovery program emphasised the need for increasing the economy's productive capacity in collaboration with global capital (Ercan, 2006). Such a move in the economic policy was not simply imposed in an outside-in manner by World Bank- and IMF-originated directives, but concurrently articulated and embraced by globally-oriented segments of Turkish bourgeoisie in policy reports and press releases[57], as it was believed to have solved the 1990s' capital accumulation crisis (Özekin, 2014). Therefore, the external impetus for policy change once again coincided with the domestic bourgeoisie's reform demands to restructure the economic productivity (Oğuz, 2008).

On that note, the critical juncture of the post-2001 era prepared the ground for new structural reforms in Turkey, which laid out the economic policy's general contours up to the present. The reform process embodied a 'new thinking' associated with the emerging creeds of the Post-Washington Consensus. Therefore, in terms of developmental policy, such a move represented neither a real rupture from the post-

[57] See TUSİAD reports, 1991, 1997a, 1997b

1980 developmental agenda nor a genuine attempt to overcome handicaps of Turkey's late capitalist development. Rather, it reflected a seemingly different but complementary process in which the first generation of neoliberal reforms post-1980 was accompanied by further institutional arrangements aiming to increase the domestic production capacity in harmony with global capitalism's governing mentality (Ercan, 2006). Put another way, this signified the Turkish bourgeoisie's increasing integration into global value relations on the basis of an international competitiveness agenda with globalist- and market-oriented overtones. As per Karakaş (2007), this means that the export-oriented capital groups, which had previously rested upon absolute value extraction or immiseration as forms of capital valorisation, now started to reorient themselves towards extraction of relative surplus value through reorganization of industrial structure and labour productivity.

Such a structural transformation in the economy materialized through a series of legal and organizational regulations in economic governance and concomitant legislations in the labour regime, all of which would lead to a metamorphosis in the Turkish political economy. The assignment of World Bank expert Kemal Derviş as the Minister of Economic Affairs in 2001 literally launched the reform process when Ecevit's coalition government was struggling with the economic downturn's devastating impacts. Derviş' economic recovery programme, called Transition to the Strong Economy, encompassed a series of structural reforms, such as securing the independence of Central Bank, consolidation of Banking Regulation and Supervision Agency, re-regulation of public financing and debt, and formation of Independent Regulatory Institutions into almost every facet of economic governance.

Among these, the transformation of the banking sector was one of the key steps to achieve a productive capital-based accumulation. To end rent transfer through state borrowing and re-orient funds from state debts to fixed capital investments, the banking system was restructured through the Banking Regulation and Supervision Agency (BRSA). Operating along with the international standards of the Basel II accords and equipped with a centralised and independent regulatory mechanism, the BRSA was authorised to function on the global level without any direct interference from domestic actors (Bekmen, 2014). Given its independent structure, the BRSA reconfigured relations between the banking sector and industry in accordance with the requirements of internationalized economy (Oğuz, 2008). The banks which restructured themselves in

line with international banking standards were allowed to exist, whereas those which continued to finance state debt and operate as easy-profit mechanisms for holding companies underwent confiscations. Besides, to ensure price stability, the Central Bank of Turkey was endowed with an independent institutional form, which freed the monetary policy from politics and executive interference. Coordinating with the BRSA, Central Bank played a functional role in pursuing macro-economic management based on price stability and anti-inflationary measures to secure business confidence and investment climate both for global productive capital and its local partners.

Additionally, a series of independent regulatory agencies (IRAs) were also founded to stimulate productivity growth through the 'depoliticisation of the economic governance' and the establishment of a competition state. As the main pillar of the post-2001 reform process, the status and role of IRAs in the overall economic governance was increasingly consolidated. While in some sectors, the pre-established IRAs were strengthened and highly operationalized (as in the Capital Market Board, Competition Agency and the BRSA), in many other new ones (such as Telecommunations Agency, Energy Market Regulation Agency, Sugar Agency, and Public Procurement Agency) were built in the system of economic governance (Sönmez, 2011). Thus, the IRAs became key institutional bodies of economic restructuring, synchronising economic management in line with global capitalism's governing rationality. Put bluntly, these institutional bodies functioned as 'the local connection points of global regulatory neoliberalism' by which the domestic economy's strategically significant sectors were restructured and regulated according to global rules and procedures (Bekmen, 2014, p. 57).

The IRAs' proliferation as specialized economic apparatuses signified a complementary stage during which the first-generation reforms of the post-1980 period were further consolidated within the Turkish state's institutional and legal structure. Whereas the first-generation reforms had dissolved the state's pre-existing institutional structure and narrowed the political and public sphere in favour of market-oriented internationalisation, the second-generation reforms installed global capitalism's economic institutions into the state structure. On that note, the IRAs' installation implied a process of depoliticisation by which the social forces' and executive branch's role and impact in economic governance were curtailed and transferred to the so-called independent agencies that were tied to the governing rationality of global capital and its

local partners (Özekin, 2014). Since IRAs only held representatives of certain segments of state, business organisations of globally-oriented bourgeoisie and TNCs, but not the counteractive layers of the state, the popular classes or certain segments of domestic bourgeoisie in their executive boards, they functioned as representative channels through which the interests of global capital and its local partners have been incorporated into economic management (Bayramoğlu, 2009). In this sense, the IRAs have played a vital role in creating a milieu of accumulation in which the TNCs' and their local partners' class interests have been secured both in institutional and regulatory terms.[58] The central motivation behind the reforms of the early 2000s was to secure and strengthen the TNCs' bargaining position nationally by subjugating the domestic economic and social forces to the global capital's interests. In short, the control over the political and public domains under re-regulation were taken away from the domestic actors, particularly from the popular classes, and given to the powerfully-equipped and ultra-centralist regulatory mechanism, bound to the global capital's operating rules (see inter alia, Güler, 2003, 2005 and Bayramoğlu, 2005).

Again, behind the reforms of the early 2000s was the interplay between transnational networks of global capital, globalized segments of domestic bourgeoisie, and the outward-oriented layers of state apparatus as the pillars of the triple alliance in Turkey. At the international level, the IMF-WB nexus was instrumental since the regulatory agencies' incorporation into the economic governance mechanism constituted the main conditions for loan credits. In collaborating with the IMF-WB nexus, the OECD also actively followed up the reform process and provided consolatory service through its non-obligatory 'Volunteer Country Program' (Bayramoğlu, 2005). Besides, Turkey's regional engagement with the EU was another anchor, as the *acquis communautaire* of EU-accession process required institutional and regulatory arrangements that largely coincided with the conditionalities that the IMF-WB nexus required (Güler, 2003; Sönmez, 2011).

On the domestic front, the IMF-WB-EU triangle's efforts also mustered appreciable support among certain segments of the Turkish bourgeoisie and political circles. Increasing cohesion emerged both within the local bourgeoisie and the political circles that facilitated the reform process' enactment and implementation. As the stakes became

[58] For further accounts on the IRAs, see inter alia Güler, 2005; Güzelsarı, 2007; Bayramoglu-Ozgurlu, 2005, 2009; Ozekin, 2014.

higher with deteriorating economic conditions, the veto players' resistance was diminished and marginalized, which in turn generated an alliance of reform demanders, particularly those led by the local bourgeoisie's transnationalised segments, such as TÜSİAD, the Turkish Exporters Assembly (TIM), and the International Investors Association (YASED), which were domestic actors in the Turkish state apparatus' restructuring/rescaling process.[59] Allied with the reform-demanding domestic groups, globally-minded political elites also backed the reform process of the early 2000s in a highly technocratic manner. Under the motto of '15 laws within 15 days,' the relevant legal arrangements concerning the reform process had been enacted without even a decent parliamentary discussion or an inner-cabinet debate, provoking occasional defiance of the coalition government's members. Led by Kemal Derviş, a team of bureaucrats launched the reform process, even under occasional splits within the government, and ensured the coordination between state institutions and secured the mediation between domestic and transnational policy circles. Therefore, despite the reform process' fast pace, the question of a political actor had been left unanswered, at least till the 2002 elections, which had swept away all the former political parties responsible for the economic downturn and given way to the rise of the Justice and Development Party (JDP) as the political agent of change. Just as the military coup had wiped out the political arena and set the ground for rise of the neo-liberal-minded ANAP, an 'economic coup' once more reshuffled the political scene, leading to the rise of a new political actor, which effectively implemented and furthered the reform programme, spanning over one and a half decades to the present. (Bekmen, 2014).

5.4.1 Rise of the JDP as Political Agent of Transformation

The 2002 general election made it crystal clear that almost all former parties had been discredited in the general public's eyes as malefactors of the crises of the late 1990s and the early 2000s. Founded in 2001 by young Islamic liberals split from Erbakan's National Outlook Movement[60], the JDP entered the political scene in an environment of

[59] Through reports, policy documents and forums, TÜSİAD closely worked with the IMF-OECD-EU nexus and pressurised for the state apparatus' restructuring as an institution-building project of good governance. For more details, see TÜSİAD's Annual reports in 2000 and 2001.

[60] The split of young Islamic liberals from the Virtue Party (successor of Erbakan's Welfare Party) reflects the class differentiation within Islamic capital groups. As a certain segment of Islamic capitalists that had moved up to the rank of big capital groups in the globalization process, they redefined their class interests in conformity with the credos of global capitalism and opted to distinguish themselves from the other traditional petit-bourgeoisie who supported the Felicity Party (SP). For detail, see inter alia Uzgel, 2009; Tugal, 2009.

widespread public resentment, which would facilitate its decisive success in the upcoming elections (Atasoy, 2009). In the 2002 elections, the JDP won with 34.2% of the popular votes and 65% of parliamentary seats, which let it form a single-party majority rule for the first time since 1991. In fact, the 2002 elections ushered in a new era in Turkish political history, which would be marked by the JDP's electoral victories as Turkey's one-party government up until recently. Well in advance, the JDP distanced itself from the anti-western, anti-American, statist and developmentalist discourse of Erbakan's Islamist movement and self-identified as a 'conservative democratic party', combining 'universal' principles of political liberalism and free-market economy with 'authentic Muslim and local values' (Uzgel, 2009). Adopting such a political stance, the JDP represented the Islamic movement' coupling with the globally-spread credos of neoliberalism (Atasoy, 2009). As a politically concretised form of such a transformation, the JDP's emergence can be viewed both as outcome and prompter of a passive revolution, which would ensure Islamic capital groups' and conservative masses' incorporation into neoliberalism's social project (Tugal, 2009).

To this end, the JDP eagerly adopted the economic and institutional reform programme that had been introduced in the aftermath of the 2001 crisis. Since its first term, the JDP has recursively taken concrete steps in deepening the structural reform programme of the IMF-WB nexus and furthering the EU-accession process by accelerating the pace of the reforms accordingly. Thus, Turkey's firm commitment to the reform process has been secured and socialised with the JDP's rise as a single-party rule that managed to rely on a broad electoral base and build a cross-class coalition around the transformative project of the 2000s. In this regard, the JDP's salient features include its skilfulness at building a certain degree of unity among the different fractions of capital and ensuring the consent of dominated classes on the changing dynamics of accumulation process (Oğuz, 2008; Bekmen, 2014). Particularly in its first two terms, the JDP seemed to mediate the historical cleavages between the two major poles of domestic capital organized under TÜSİAD and MÜSİAD respectively. The JDP managed to resolve the conflicting demands of these two poles of domestic bourgeoisie with the discourse of achieving international competitiveness through the reform programme. In this sense, the JDP's rule can be viewed as politically concretised form of a consolidated power bloc, which united the different fractions of capital around the globally-designed and neoliberally-minded project of the 2000s.

Besides, the JDP has also been successful in manufacturing the consent of the wider segments of society and incorporating them into the transformative project of the 2000s (Atasoy, 2009). Restructuring of the Turkish economy and the state structure during the JDP's rule was manifested through a broad cross-class coalition, including unorganized sections of labouring classes, the rural poor, upwardly-mobile middle classes and the globally-oriented capital groups of all sizes. In building such a broad cross-class coalition, the JDP introduced a neoliberal social policy regime combining the WB's and the UNDP's poverty alleviation strategies with Islamic philanthropy and solidarity (Atasoy, 2009). This blend of neoliberal social policy regime comprised social assistance and workfare programmes, the empowerment of hitherto excluded segments of society and the extensive use of religious charity organisations. Employing such a blend of strategies towards economically disadvantaged segments of society, the JDP has managed to co-opt, assimilate, and appropriate potential opposition and threats to the reform process.

Benefitting from this set of electoral and class-relational dynamics, the JDP has decisively and effectively implemented and furthered the reform process. The economy and state structure have undergone a phase of restructuring in which the domestic bourgeoisie's competitiveness and productive capacity have increased relatively through the flexibilisation of labour markets and the internationalisation of production on the basis of the FDI. In this sense, the triple alliance's emerging will for internationalising the Turkish economy on the basis of increased productivity and competitiveness has been literally materialised under the JDP government's decisive policies. Within this context, concurrent and complementary reforms were introduced to reframe the labour market and investment environment in line with the changing dynamics of accumulation.

The shift in the accumulation dynamics brought along the adoption of new production organizations and techniques, which required concomitant legal arrangements for labour classes. In light of the 2001 crisis, capital groups had increasingly articulated the need for new arrangements in the labour market on the grounds of global competitiveness. Coupled with the demands of capital, the severity of the 2001 crisis had in fact paved the way for labour power's increasing oppression in the form of a *de facto* flexible working order. Later in 2003, such a shift in industrial relations gained a legal base under the JDP rule with the new Labour Law No. 4857. The Labour Act of 2003

brought in flexible, irregular and non-typical labouring forms, which would create a workforce that could easily be hired, fired, and subjected to intense work discipline for the sake of global competitiveness (Özdemir and Yücesan-Özdemir, 2006). Briefly stated, under the pretext of the economic recovery after the 2001 crisis, the rigidities in the labour market were eliminated on behalf of the capitalist classes who sought to overcome the crisis of accumulation through economic internationalization based on increased labour productivity.

Along with the changes in the labour market, a series of reforms were also put into practice with regard to the FDI regime and Turkey's investment environment. The most important reform introduced in this respect was the 'Reform Program for the Improvement of the Investment Climate', which aimed to reframe the investment environment to increase the FDI's inward-flow and the productivity of firms operating in Turkey. The discourse of 'improving the investment climate' had been brought to the agenda in the conjuncture of the post-crisis recovery when the global capitalism's regulatory mechanism was placed into the national context upon the triple alliance's tripartite request. Along with this process, steps towards improving the investment climate were taken by actors at the national, transnational, public, and private levels (Cebeci, 2012). At the domestic level, particularly TÜSİAD[61], as the domestic bourgeoisie's globally-minded segment, and YASED, as the global capital's interest organisation, actively participated in the institutionalisation of the relevant arrangements in this respect. Upon the invitation of YASED, James Wolfensohn, chairman of the WB to Turkey, demanded the Foreign Investment Advisory Service[62] (FIAS) to write up a diagnostic report on Turkey's investment climate. [63] In line with the findings and recommendation of the report, a policy coordination platform, the Coordination Council for the Improvement of Investment Environment (YOİKK), was established by an executive decree in the midst of the 2001 crisis (Cebeci, 2012).

[61] In several policy reports and press releases, TUSİAD eagerly pressed for an overall reform programme for improving the investment environment and competitiveness of Turkish economy (see inter alia, TUSİAD, 1997a, 1997b, 2002, 2004).

[62] Working as a joint facility of the WB, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency, FIAS assists governments of developing countries and transition economies in improving the investment climate.

[63] It should also be noted that the TOBB has played a particular role in the institutionalisation of YOİKK by conducting a fieldwork for the FIAS' report. The TOBB set up a Board on Foreign Direct Investment in 2004, which brought together 28 senior executives of multinational corporations with Turkey's globally-oriented capital groups.

Established under the FIAS' close surveillance as a joint establishment of the WB, the International Finance Corporation and the Multilateral Investment Guarantee Agency, the YOİKK began to operate, in 2002, as an institutional channel through which the TNCs' class interest has been internalised within the state's economic policy and has been presented as a normalcy with the close cooperation of globally-minded local bourgeoisie (Özekin, 2014). This is apparent from the YOİKK's institutional configuration and working mechanism, which has performed such a type of coordination between ministries and respective state institutions on one hand and global capital's business representatives and local bourgeoisie's internationalized segments on the other (see, Appendix 14). Adopting a dismissive stance towards certain segments of local capital and labouring classes, the YOİKK has incorporated the representatives of capital groups, such as TÜSİAD, YASED, TOBB and TIM, alongside respective state authorities (Cebeci, 2012). On a monthly basis, the YOİKK has held issue-based meetings in coordination with the technical committees formed in ten different areas of expertise, such as corporate governance, taxes and incentive, FDI legislations, and many others (see, Appendix 14).

Incorporating a broad range of policy areas, the YOİKK has functioned as a quasi-parliament, suggesting primary and secondary legislation to the Council of Ministers based on the drafts prepared by the technical committees. Several laws intersecting in some way with the business climate have been enacted in line with the YOİKK's suggestions [such as the Labour Law, the Turkish Employment Agency Law, and the Land Acquisition and Site Development Law, as listed in EU (2006: 63)]. Among them, the amended FDI Law No. 4875 of 2003 was framed in accordance with changing dynamics of accumulation in the post-2001 period. Complementing the Labour Act of 2003, the FDI law created a highly favourable setting on behalf of the global capital by abolishing the approval, screening, and minimum capital requirements for TNCs and ending the system of *ex ante*-control and regulation on the FDI's inflow. With the new FDI law's enactment, the TNCs have been treated equally just like domestic companies regardless of factors such as the nature of capital formation, the strategic orientation and interest of the company and the capital ownership.

Thus, the YOİKK has ensured internalisation and accommodation of the TNCs' global mentality through extra-parliamentary channels of economic governance and law-making. In this sense, the YOİKK's working mechanism and institutional configuration

has created a new domain of the state in which representatives of globally-minded capital groups participate in legislative and executive processes concerning capital accumulation (Özekin, 2014). As of 2004, this characteristic of the YOİKK was further expanded with the establishment of the Investment Advisory Council (IAC) as an advisory body providing inputs in the overall YOİKK process, and advising the governments with respect to investment climate. The IAC exemplifies how interests and demands of leading multinational firms and international financial institutions such as the IMF, WB, and European Investment Bank have been directly incorporated into the YOİKK's action plans and transmitted to Turkey's legislative and executive processes (Cebeci, 2014). Meeting regularly since 2004, the IAC has brought together top government representatives (the PM, the Minister of Economy, the Minister of Finance, and other relevant ministers) with the leading TNCs' executives (including those from American Int., Arcelor, Benetton, BNP Paribas, and Cisco Systems, Daimler Chrysler, Danone, Fiat, Ford, Hyundai, Siemens, Nestle, Unilever, among others) heads of international financial institutions and chairs of selected business organizations to consult on reform priorities and adopt a course of action (see Appendix 15).

5.5 Increasing Productivity and Competitiveness under the Reign of Global Capital and Shades of New Form of Dependent Development in post-2001 Turkey

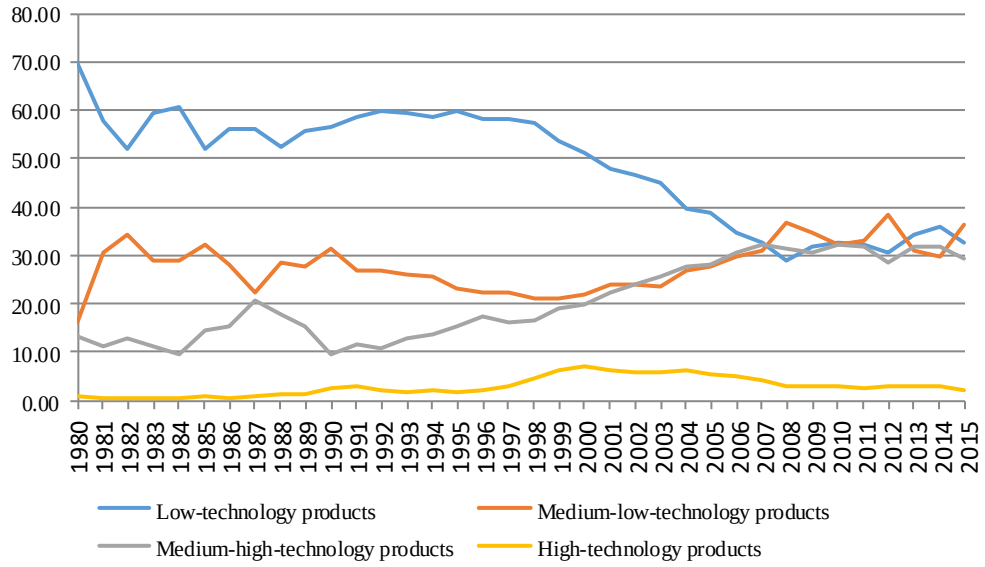
Starting from the early 2000s, the overall reform process in Turkey has institutionally crystallised the Turkish triple alliance's captive nature and consolidated the new forms of dependent development that had outcropped in its preliminary form in the 1980s. Thus, it should be noted beforehand that the economic and political transformation post-2001 can be seen as a change in the continuity of Turkey's capitalist development. Despite far-reaching changes in class configuration and relative cohesion within capitalist classes, particularly with respect to the reform process, the uneasy and contradictory nature of state–society relations and the state's non-developmental role have remained intact. Nonetheless, what distinguishes the post-2001 period from the preceding two decades is the economy's increasing competitiveness and productive capacity based on deepened internationalisation and collaboration with global capital. Put bluntly, the recent shift in the Turkish economy has been basically a corollary of the change in accumulation dynamics. The main motivation behind the post-2001 accumulation strategy was to enhance domestic bourgeoisie's competitiveness and productive capacity based on the foreign capital's inflow and direct partnership. On the

discursive level, reorientation of the accumulation dynamics along this line was ideologically based on legitimising competitiveness through regulatory state institutions and improving the overall investment climate.

With the change in accumulation dynamics, the Turkish economy has consequentially experienced improvements in growth and productivity levels, industrial production and the composition of manufactured exports. In this sense, the Turkish economy's performance in the post-2001 period signified a relatively remarkable rupture from the preceding two decades, which had been marked by short-term cycles of economic crises, high inflation rates and poor economic growth records. In macro-economic terms, the country's economic performance was considered to be positive for the most part over the past one and a half decades. After the devastating impact of the 2001 crisis, the country's economic growth resumed and continued at an annual rate of 7.2% between 2002 and 2007 (see Appendix 16). The economy also performed relatively well throughout the Global Financial Crisis of 2008 as the economic growth rate first slowed down and dropped to 0.7% and −4.7% in 2008 and 2009, but later rebounded to 9% and 8.5% in 2010 and 2011 respectively (Appendix 16). Accompanied with this, as commonly used indicators of economic development, both the Gross Domestic Product (GDP) and GDP per capita have grown more than threefold at current prices (Appendix 16). Again, compared to the preceding decades with their high inflation rates and large fiscal deficits, the overall economic environment was far better with a prudent fiscal discipline and inflation rates of less than 10% per annum in general (Appendix 16).

Parallel developments have also taken place with respect to foreign trade and the manufactured exports' sectoral/technological composition. During the period in question, Turkey transformed into a 'trading state' through participation in cross-border production and trade networks of global value chains. Over one and a half decades, the country's trade volume has more than quadrupled, coupled with structural changes in the composition of both exports and imports (Turkstat, 2015). Particularly, parallel to the transformation of the production front, Turkey has performed relatively well in achieving a certain degree of structural change in manufactured exports. Throughout the period, the composition of manufactured exports has evolved from traditional and low-technology sectors to medium-low and medium-high ones such as technology-intensive sectors, namely, 'electrical machinery and apparatus', 'motor vehicles' and 'machinery and equipment', whose export/production ratios have increased remarkably (Figure 5.1)

Figure 5. 1 Structural and Technological Shift in the Composition of Turkish Manufactured Exports since 1980 (%)



Source: Turkstat (2015). The author's calculation according to the ISIC Rev 3's technology intensity definition. For further information, see Appendix 17.

As a result, positive developments in economic growth rates, productivity levels and the manufactured exports' structural/technological composition have brought Turkey into the range of countries popularly classified as newly industrialised economies or emerging markets. However, despite the rise of the economy, Turkey's capitalist development has remained stuck in structural limitations, economic and social contradictions, and developmental challenges, all of which manifest as corollaries of the consolidation of new forms of dependent development in the last one and half decades.

First, the recent macro-economic stability and economic growth have been closely linked to foreign capital inflows as Turkey has benefited exceptionally from a benevolent global capital market, especially for developing countries, since the early 2000s (Taymaz and Voyvoda, 2012). Following the launch of the reform programme, the FDI inflows reached record levels of $20 and $22 billion in 2006 and 2007 respectively, and the FDI's cumulative inflow was more than $149 billion between 2002 and 2014 (see Appendix 18). As savings fell short of investments, high doses of FDI definitely facilitated economic growth at rates much higher than the domestic savings would have allowed (see Appendix 16). In this sense, the post-2001 economic performance appears to have traits of a new form of dependent development in which

global capital's inward flows have driven and conditioned the rate and direction of capital accumulation. Thus, exhibiting the characteristics of a capital-dependent economy, Turkey's export-led growth strategy during the period have been significantly induced by and framed under the favourable environment of long-term FDI inflows. In the form of greenfield investments, joint ventures, mergers, acquisitions and privatizations, leading TNCs have increasingly penetrated into the domestic economy and have become an important capital bloc within Turkey. Between 2002 and 2012, the total number of foreign-invested companies operating in Turkey increased almost sevenfold from 4,949 to 33,439, accompanied by more than tenfold rise in the overall FDI inflows (see Appendix, 18). Launching new ventures and building partnerships, foreign capital took part in the production front. As a result, foreign-invested firms within Turkey's top 500 industrial companies held 31.3% of the total sales value of production and 45.4% of the overall export by 2011 (ISO, 2011, p. 26).

As another aspect of the new form of dependent development, the economy's recent performance under the FDI inflows has led to the industry's structural transformation. With increasing penetration of leading TNCs through partnerships, mergers and acquisitions, the industrial output's structure has evolved towards more technology-intensive products, marked by the rise of medium-low and medium-high sectors. However, despite the change in the manufacture products' range and composition, the industry's structural transformation has never elevated Turkey into the ranks of developed countries since the manufacturing outputs, exports, and technologies have evolved towards the ones that had been mostly faded away in developed economies. Analogous to paradigmatic cases of new forms of dependent development, the overall restructuring of the economy and manufacturing industry has led to greater diversification in manufactured exports and industrial convergence between Turkey and the developed world, but in comparative terms, it has not generated an overall change in Turkey's mode of articulation with the global economy.

On the contrary, the reintegration with the global economy through the recent shifts in the accumulation dynamics have re-secured the country's respective position within the global capitalist system. In fact, the series of economic and institutional reforms carried out to achieve higher levels of productivity and global competitiveness have been far from being a genuine developmentalist turn that would overcome Turkey's long-lasting structural deficiencies and collective action dilemmas. First of all, the overall reform

process was at heart designed in compliance with the development agenda of the IMF-WB-EU triangle through which Turkey has been subjected to a form of neoliberal self-discipline. Adopted arrangements like independent regulatory agencies and new coordination bodies for better investment climate have in fact reframed the policy space at the expense of the overall interest of domestic, economic, and social forces. Rather, given their organizational and functional design, these institutional bodies are unlikely to offer a real leap forward both for the local capital and the national economy. Designed as transnationalised governance mechanisms, they institutionally strengthened global capital's bargaining position nationally by limiting the state's ability to intervene in the asymmetrical power relations between global capital and domestic classes.

To achieve international competitiveness, the state has taken part in a 'beauty contest' in which it competes with its rivals, offering the global capital a more favourable investment environment and incentives. Rather than insulating the key aspects of economic governance and industrial policy from global market forces, the state has embraced FDI-oriented marketization for capturing global capital's potential benefits, not only for domestic capital groups but also for the wider society. In this sense, the state has not sought possibilities of policy and developmental space to restrain and coerce globalization's uneven forces when the matter of local accumulation is at stake, but has rather followed a more submissive stance by simply promoting an overall investment environment and letting market forces – global or domestic – to decide the pace and prospects of development. Such a passive attitude in development policy found its laconic expression in PM Erdoğan's speech at Chatham House:

> Some people say we are selling the country. People cannot see the reality. This is not our perspective – quite the contrary. We say that whatever you call it – money or capital or labour – it does not have a religion, does not have a country and does not have a nationality. Money is like mercury: whenever it finds the proper environment, a good environment for itself, it immediately flows there. That is a reality. If you prepare that environment it will flow to you, and if you fail to do that, then it will turn its direction and go somewhere else. This is why we were determined to provide the right environment. (Independent, 2009)

The mantra of achieving international competitiveness has constituted the backbone of the development discourse, being widely embraced in the five-year development plans and industrial policy documents (see SPO, 2003, 2006, 2007; Sanayi ve Ticaret Bakanlığı, 2010; Kalkinma Bakanlığı, 2013). These documents have been more or less formulated as replicas of the WB's and IMF's policy recommendations rather than as

genuine action plans for building indigenous technology and research capabilities and cumulative learning processes for domestic capital.[64] Supposedly, these policy documents' main goal was to increase the industry's competitiveness and productivity and upgrade the Turkish enterprises' positions in value chains. However, such an ambitious goal is doomed to remain as an unapproachable rhetoric as it has never been complemented by long-term and development-oriented industrial strategies undergirded by respective institutional arrangements.

Rather, the scope of industrial policy has been confined to a narrow range of instruments, such as improving investment climate, building required infrastructure, providing the workforce vocational training and higher education, and enhancing the public services' quality. Thus, the emphasis has been more on the state's regulatory role rather than its developmental capacity. The limits of the regulatory role in turn have not allowed proactive and selective industrial policy through which the terms of accumulation would be renegotiated and redefined in favour of the domestic economy's long-term interest. Therefore, the industrial policy has been built on the false premise that the deepening integration with transnational trade and production networks would automatically bring along efficiency, competitiveness and upgrading for the domestic capital and the overall economy.

Thus, the dynamics of asymmetric power relations in value chains have been widely overlooked, and the prospects and sustainability of economic development has been left to the mercy of global market forces, which distribute the benefits and costs of globalization unevenly and asymmetrically over time and space. Consistent with the demands of global actors, the reform programme and institutional arrangements have constrained policy space and the state's alternative instruments and institutionally crystallized the triple alliance's captive nature in Turkey. Despite some policy design improvements, a systematic and long-term industrial and technology policy has never been incorporated into the economic governance mechanism (Eser, 2014; Şenses and Taymaz 2003). Rather, the industrial policy has lacked strategically-defined incentive structure armed with well-functioning selection, monitoring, and sanctioning mechanisms for effectively securing the distribution of incentives and state resources.

[64] The national development plans have been implemented in liaison with the WB. As per the WB group on Turkey's recent report (2015, p.13) the most recent five-year development plans, the Ninth (2007-2013) and the 10th Development Plan (2014-2018), largely overlap with the WB's Country Partnership Programme.

In fact, a certain degree of cohesion and coordination between the state and domestic capital groups marked the early 2000s, particularly with respect to the reform programme's implementation. In its first term, various fractions of capital, either affiliated with TÜSİAD or MÜSİAD, willingly supported the JDP government and allied with it in its commitment to the overall reform programme (Akça, 2014). However, such an alliance between different capital fractions and the state never gave way to the eradication of the long-standing intra-class cleavages and uneasy nature of state–capital relations in Turkey. Particularly starting from the JDP government's second term, these historical legacies once again surfaced with the increasingly polarised nature of intra-class relations between so-called secular and Islamic poles, clouding the effective institutional coordination between the state and domestic capital groups.

In this respect, the period in question showed intensification of the domestic bourgeoisie's fragmentation, followed by the emergence of two pluralist peak organizations, the Turkish Enterprise and Business Confederation (TÜRKONFED) in 2004 and the Turkish Confederation of Businessmen and Industrialists (TUSKON) in 2005, representing the secular and the Islamic pole of capital respectively. With the establishment of new business organizations, the intra-class cleavages between the two poles of capital prevailed between MÜSİAD and TUSKON on one hand and TÜSİAD and TÜRKONFED on the other (Özel, 2015). The unveiled polarization of the intra-capitalist relations has also reverberated into their representation in public and semi-public organizations, and led to the selective provision of incentives and state resources (Buğra and Savaşkan, 2014). Over time, the selective inclusion of domestic capital groups and the concessionary access to state resources, such as subsidies, loans from public banks, public bids, and policy platforms, became a common drawback of economic governance. As the broad-based capital alliance that had emerged in the JDP government's earlier stages dismantled, the JDP has increasingly sided with the Islamic capital groups and been confronted by capital groups affiliated with TÜSİAD and TÜRKONFED. Given the symbiotic relationship between the state and the capital, the central state and municipalities have allocated state resources to create and expend wealth in the hands of selected business actors close to the JDP government (Buğra and Savaşkan, 2014).

To sum up, as the state-capital relations have been traditionally fragmented, antagonistic, and conducted ad hoc, the cohesion and cooperation between the state and domestic bourgeoisie have remained weak. Therefore, the long-standing intra-capitalist cleavages and its repercussions within the state-capital relations have led to suboptimal developmental outcomes and not to institutional innovations that can offer alternative paths of development beyond the new form of dependent development. Rather, both the state and domestic capital groups have opted to accommodate themselves with global capitalism's governing rationality, which was believed to distribute favourable outcomes automatically. Therefore, policy measures such as deepening the integration with the global trade and production networks, establishing a sound regulatory framework, improving the overall business environment and disciplining the labour markets have remained as only options to achieve international competitiveness in favour of global capital's increased penetration.

Thus, within these boundaries of adopted policy instruments and institutional arrangements, Turkey has managed to overcome a range of Gershenkronian collective action problems, but failed to do so with respect to Kaldorian ones. Under the banner of achieving international competitiveness, the adopted policy reforms and institutional innovations have enhanced the capacity to solve Gershenkronian dilemmas that are mainly related to capital accumulation problems. In other words, the adopted arrangements have led to the mobilization of resources for the provision of social overhead capital, which includes services such as basic infrastructure, transportation, communication, and energy facilities required for production and industrial activities.[65] Likewise, they have also encouraged both global and domestic capitalists to make new investments in the industrial sector, leading to an overall growth in industrial production and diversification of a range of manufactured goods. However, the policy instruments' and institutional arrangement' capacities have failed to effectively solve Kaldorian collective action problems, such as increasing the returns to scale and the overall competitiveness of domestic firms vis-à-vis the leading TNCs, stimulating learning by doing, and moving up the product cycle with efficiency and local inputs.

[65] Over the period, transport, telecommunication and energy infrastructure have thrived: the network of double lane inter-city roads grew more than trifold to 22,200 km; as one of the fast growing airlines in the world, the Turkish Airlines ranked as the best airline of the Europe between the years 2009 and 2011; Turkey's airports and seaports were upgraded to the global standards; and the energy capacity substantially increased to almost 60,000 MW in 2012 (WB, 2014, p.10).

As the class-relational and institutional setting has not offered a leap towards renegotiating and reframing the terms of local accumulation and overcoming all sorts of collective action problems, Turkey has no alternative but to comply with what its position within the global division of labour and the new form of dependent development offers. Thus, given the asymmetrical and uneven nature of power relations in global capitalism, Turkey is doomed to follow a 'lower-road' of capitalist development, characterised by increasing industrial output and productivity at a respectable but not extraordinary rate and structural transformation, albeit with limitations in achieving increasing returns to scale, developing endogenous capacity in high-technology and high-value added niches of industrial production. That's why domestic bourgeoisie are mostly specialized in the lower value-added (periphery-like) segments of global value chains, typically characterised by routinized technologies and production methods and deprived of what we call Schumpeterian entrepreneur profits or Marxian super profits. Mostly stuck at the subordinated stages of subcontracting and component manufacturing, domestic bourgeoisie display limited achievement in expanding their control over the entire circuits of accumulation along the value chains and remain dependent on the leading TNCs with respect to accessibility to cutting edge technologies, patents, capital goods and markets. In compliance with their subordinated position in the global value relations, they mostly adopted downstream stages of export roles, such as primary commodity exports, export-processing assembly operations, component-supply subcontracting and original equipment manufacturing rather than moving to the upperstream stages, such as original design manufacturing and original brand manufacturing. All in all, Turkey's lower-road of articulation in the post-2001 period exhibits characteristics of a new form of dependent development as it generates an expanded share of global manufacturing exports but a disproportionally low share of globally created value added.

The articulation of the Turkish economy along this line has been also accompanied by a series of auxiliary symptoms of dependent development, manifesting themselves in various forms. First, the increasing integration with the global networks of production and trade has deepened the disarticulation of domestic economy as the manufacturing industry has mainly failed to create traditional multiplier effect and intra- /inter-industry linkages. A series of studies (Özmen 2014; Sönmez, 2015) show that the export growth, particularly in the mid-low tech and mid-high tech products, has been considerably

import-dependent, entailing high proportions of imported intermediates as well as capital goods. Therefore, given the disarticulated nature of economy, the surge in the output of export industries has not only fed back into the domestic economy insufficiently, but fostered the chronic problem of foreign trade deficit which has averagely cruised at the alarming level of 9.6 % in the period 2002-2014 (Turkstat, 2015).

This occurs as a result of the assembly-like character of domestic industrialists which mainly specialise in the downstream labour intensive segments of global value chains as subsidiaries, subcontractors and exporters of the leading TNCs. The formation of domestic industry along these lines, which symbolises Turkey's lower-road of articulation with the global production, has been accompanied by another auxiliary symptom of dependent development with respect to the salaried and labouring classes. As domestic industrialists mostly entered the global production at the lower end of the value relations, they have been subjected to the fierce cost-down pressure of leading TNCs on the one hand and cut-throat competition with dozens of counterparts on the other. Operating under these conditions, the industrialists have been mostly endowed with low profit volumes and very modest, if not, entrepreneurial rents which ultimately translated into a ruinous regime of control over the salaried and labouring classes.

In this sense, the increasing integration into the transnational networks of trade and production in the post-2001 period signifies a new wave of hostility against working classes in terms of labour rights and wage policy. The discourse of achieving international competitiveness has had important implications in this connection, as it required a new regime of control over labouring classes through which not only the domestic bourgeoisie but also the working classes have been densely incorporated into global value relations. As Turkey has taken part in a sort of 'beauty contest' of pleasing FDI, reframing the labour force in conformity with the demands of global capital occupied a central concern both for the allying domestic bourgeoisie and the state. The increasing articulation of domestic economy into the global production either directly by the penetration of TNCs or indirectly by subcontract agreements and arm's-length outsourcing required both reductions in production costs and increased flexibility of labour force.

The related measures in this direction were concurrently undertaken both in the areas of investment and employment. Under the broad scheme of improving investment climate,

capitalist classes, whether global or domestic, have been largely exempted from burdens of taxes, customs, duties and endowed with several incentives (such as land allocation, interest expenditure support and payment of employer's social security interest premiums by the Treasury), all of which were put into effect to reduce the cost of doing business in Turkey. Thus, the reduction in cost has been, in a sense, procured by indirectly socializing the burdens of capital to wider social classes through capital-friendly arrangements in investment and fiscal regime. While the share of indirect taxes in overall tax revenues has surged from 37% in 1980 to 58% in 1995 and to 73% in 2007, the share of corporate income tax dropped from 9.5% in 1995 to less than 1% in 2007 (Demir and Erdem, 2010).

Besides, more pivotal measures were also undertaken with the introduction of the new regime of control over labour by which intensified repression and exploitation of working classes has become an essential channel of reducing the cost of production and enhancing the international competitiveness of the economy. As several studies (Yeldan, 2007; Oğuz, 2011; Öngel and Tanyılmaz, 2013) reveal, the transformation of economy post-2001 has largely put the burdens of economic growth, productivity and competitiveness on the shoulders of salaried and labouring classes. In this respect, the post-2001 period represents both continuity and change in terms of the nature of labour exploitation. In the preceding two decades, the control over labour had been predominantly established in the domain of distribution as cutting down wages and social expenditures via de-unionisation and anti-labour policies was the most frequently used strategy to reduce the labour cost. Starting from the early 2000s, the control over labour has been to a certain extent shifted to the domain of production with the introduction of a new competitiveness agenda by which increased efficiency became another way of reducing labour costs along with the traditional cost-cutting strategies (Ercan and Oğuz, 2007; Oğuz, 2011).

Thus, the consolidation of a new form of dependent development in 2001 had important implications for labouring classes as it brought with it a new combination of relative and absolute surplus value extraction, blending low-wages and long working hours with productivity-enhancing measures at workplace. Particularly, the shift from the traditional and low-tech products to the mid-low and mid-high tech ones meant increasing share of relative surplus value extraction since it required higher levels of mechanisation in the production and reorganisation of the production process. However,

this did not bring the downright replacement of absolute surplus value with the relative surplus value extraction as discussed in the theory chapter with respect to the central economies where the relative surplus value extraction mostly prevails as a dominant form of labour exploitation. Rather, given its lower-road of articulation with the global economy, Turkey, a non-innovative and market follower economy, mostly relies on the absolute value extraction (lengthening the working hours) and immiseration (cutting down wages) as analogous to paradigmatic cases of a new form of dependent development.

Thereby, the country's re-articulation with global capitalism has only brought about an impoverishing economic growth that led to intensified social and economic exclusion of masses from the economic growth process. Probing into the empirical evidence reveals that the burdens of economic growth and productivity increase fell disproportionately on the labouring classes as the surplus transfer from the wage-labour to capitalist classes has intensified through squeezing real wages. As Öngel and Tanyılmaz (2013, p.39) put, whereas the labour productivity in Turkish manufacturing industry increased by 75 per cent over the period 1999 to 2011, the wage earnings per employee declined by 5 per cent in real terms. Looking into the post-2001 growth pattern, it can be argued that two factors stand behind the widening gap between the labour productivity and the real wage earnings. The first one is the extremely long working hours and increased work intensity with the flexibilization of labour market; the second one is the relative increase in the productivity of labour due to the adaptation of capital intensive and skill-requiring production techniques.

In this respect, the adaptation of the new Labour Law in 2003 was instrumental in changing both the terms of labour's subordination and the conditions of work in a number of ways. As Özdemir and Yücesan-Özdemir (2006, p.322) have put forth, the introduction of new terms for labour's subordination and the conditions of work further empowered employers to increase the levels of extracted surplus value from the labouring classes in general and the collective workers in particular. Under the new labour law, employers were endowed the flexibility to regulate the weekly working hours at his or her discretion, to a maximum of 11 hours a day. Besides this, the new labour law provided the employers with flexibility not only in the regulation of the working hours, but also in the regulation of the slippage in the duration of work (start and end of work) as well as non-working hours (break times).

Thus, working time flexibility has legally enhanced the capacity of employers to increase the levels of absolute surplus value extraction in a more disciplined way. This has particularly become more evident given very long weekly working hours in Turkey. With more than 50 hours for dependent, full-time employees and almost 48 hours for total employees, Turkey has the longest average weekly working hours among the 35 OECD members and two more countries, followed by these countries such Mexico and Chile (OECD.stat, 2015a). Likewise, with close to 41%, Turkey is by far the first country with the highest share of employees working 50 hours or more per week, again followed by Mexico with almost 29%, whereas the share is around 1% or 2% in Netherlands and Denmark (OECD.stat, 2015b). Indeed, an overall look at the average annual hours worked per person for the last one and half decade does not put Turkey at the top of the list, but a Turkish employee has worked up to 141 hours more than the OECD average with a whopping 1,905 hours per year average (OECD.stat, 2015c).

Under the new labour regime, another characteristic of the labour market was the increasing wage flexibility given the enhanced capacity of employers in diverging from collective agreements, lowering labour costs by switching to fixed term contracts and employing subcontracted and short-term workers. In this respect, the new labour law abolished or modified many pro-labour practices and institutions and replaced them with a more flexible, unprotected and multi-layered labour regime through which precarious and nonstandard working conditions have prevailed (Çelik, 2015). As recent data reveals, the number of subcontracted employees has increased almost fourfold from 387,000 in 2002 to almost one and half million in 2015 (Zaman, 2015). In the form of subcontracted, short-term and fixed term employment forms, the precarious working practice has been commonly used as a cost-reducing strategy given the fact that the workers under these employment forms are subjected to low wages and limited employment and social benefits.

As Öngel (2014) argues, considering that almost half the employees had been informal and so extremely flexible, the growing flexibility and precariousness in labour markets meant further loss of rights for the registered and even unionised workers. Since the permanent job needs can be filled by precarious and non-unionised workers, the institutionalisation of the new labour regime has undermined the bargaining power of the labouring classes and created a buffer zone for labour militancy. Therefore, the growing flexibility and precariousness over the one and half decade has been

concurrently accompanied by deunionization and symbiotic syndicalism in collective labour relations. As Çelik (2015) argues, the new regime of control over the last one and half decade has not only been the most unprotected phase in terms of individual labour rights but also the weakest period in the last 50 years with respect to collective labour relations and unionisation. Therefore, the institutionalisation of the new labour control regime has, on the one hand, brought along highly intensified exploitation of work force thanks to a number of cost-reducing flexibilities in labour markets. On the other, it has also created unsecured and de-unionised work forces that can be easily hired, fired and subjected to changing dire conditions of work given the limited employment rights, lack of bargaining power, and security benefits.

Starting from the early 2000s, the coverage of employment protection has significantly reduced as the job security has been applied to enterprises employing 30 or more workers, which in turn meant that more than half the employees in Turkey have been excluded from the scope of job security (Çelik, 2015, p.9). Moreover, the past one and half decades also corresponded to a significant erosion in collective labour relations and a drive of deunionization. Under the threat of unemployment and replaceability of labour force, the employees have been forced to accept disadvantageous working conditions and even give up certain concessions and rights obtained through the terms of formerly signed collective agreements. Overall, the period in question has witnessed a considerable meltdown in terms of labour activism, level of unionization and collective bargaining coverage.

Starting from the second half of the 1990s, whereas the total number of workers significantly increased from approximately 8.5 million to more than 13.5 million, the trade union density had fallen drastically from 15% to 5.7 % by the end of 2010 (Appendix 19). Parallel to the dramatic decrease in the rate of unionization, the number of employees covered by collective bargaining schemes, which stood at almost 1.3 million in the mid-1990s, has been declining ever since to 786,000 in 2010 (Appendix 19). A similar trend is also evident with respect to labour activism. The total number of workers involved in strikes has dropped from almost 200,000 in the mid-1990s to less than 19,000 and 9,000 in 2000 and 2010 respectively, accompanied by a sharp decline in striking severity rates to its lowest level at 2.6 (Appendix 19). Overall, it would not be an exaggeration to argue that the post-2001 period has been the most unprotected era in the Turkish labour history given the falling rate of unionization, weakening collective

bargaining power of labour and the precarisation of the work force. In stark contrast to the widening material and demographic bases of the trade unionism, Turkey is currently the least unionised country among 34 OECD countries at a rate of 4.57 in 2012 (Appendix 20). Furthermore, Turkey not only holds the last place in terms of trade union density, but it is also the champion of deunionization as the levels of unionization has fallen by almost 55 per cent between the years 2000 and 2012 (Appendix 20).

All in all, the consolidation of the new form of dependent development over the period has translated into a wave of new regime of control over the labouring classes. Thus, the new regime of control over labour has brought about increasing flexibilation and precarisation of the labour market coupled with the dramatic decline in unionization rates and so the collective bargaining power of labour force. In this sense, the transformation of labour relations along these line has mostly formed a basis for furthering extraction of absolute surplus value and immiseration, given the increasing flexibility in working/break hours and further reductions in real wages and non-wage labour costs. Besides, the re-articulation of domestic economy under the mantra of achieving international competitiveness has also forced capital groups to blend the low-wages and long working hours with productivity-enhancing measures at workplace that meant the utilization of relative surplus value extraction to a certain extent.

This became increasingly evident with the sectoral and technological shift of industrial production, which in turn required re-skilling of the labour force through vocational training and reorganization of labour processes and factory floor through the measures broadly named as process upgrading in value chain lexicon. Again, the increasing flexibilation of labour and production processes under the new labour regime has been instrumental in this respect. The new regime of control created a work force that is more subservient to productivity-enhancing measures in workplace as the employer has been legally empowered to altered the material and organizational conditions of work, and subject the labour force to changing work conditions by notifying in written that the change is compulsory and based on valid reasons. Moreover, the new labour regime has also aimed to intensify the extraction of relative surplus value through re-skilling labour force in compliance with the productivity-enhancing whims of capital. Particularly, this found its expression in the growing emphasis on the improvement of vocational and technical training as a strategic field that is reframed by a series of laws and regulations (Oğuz, 2011).

As a result, over the period in question, the intensifying exploitation of the labour force and increasing transfer of surplus from labour to capital was accompanied by relatively higher economic growth rates and productivity levels but at the expense of increasing inequality, falling labour income share and deteriorating wealth distribution. Probing into the empirical evidence reveals that as a corollary of the new form of dependent development, the wider segments of society were increasingly excluded from and deprived of the benefits of economic growth and productivity rise in Turkey. Thus, during the period in question, the labour income shares in Turkey saw a secular downward trend from 46.5% in 2000 to 33.1% in 2014 (AMECO 2015). Looking at 39 countries covered by the AMECO (2015) database, Turkey has not only had the lowest labour income share but also, after Romania, experienced the second steepest decline in labour income share, followed by Mexico and Poland. Parallel to this, the wealth inequality in Turkey has also deepened dramatically. According to the data extracted from Suisse Global Wealth Databook (2014, pp.124-126), the wealth share of the top decile had increased from 66.7% to 77.7% between the years 2000-2014, placing Turkey among the few countries with "very high inequality", such as Argentina, Brazil, India, Malaysia and Thailand. Even more strikingly, whereas the share of the remained 90% of the society decreased one third from 33.3 to 22.3% in the meanwhile, the top percentile of the Turkish society increased their wealth share from 38.1 to 54.3% (Appendix 21). Thus, as discussed so far, the consolidation of the new form of dependent development not only generated a lower road of articulation with the global economy for the local bourgeoisie, but most importantly an impoverishing growth pattern at the expense of the wider society in Turkey.

5.6 Conclusion

In this and the preceding chapter, the evolution and changing dynamics of dependency relations in the Turkish national context have been critically examined and scrutinized under a three-fold periodization through the utilization of the conceptual framework presented earlier. In its broad form, such an examination has provided a retrospective and political economic analysis of Turkey's late capitalist development by particularly exploring linkages and interplay between the local capital, state and the multinational corporations. Again, complementing the modest comparative perspective presented in the very same chapter, the historical trajectory of Turkish capitalist development has also been loosely confronted with the paradigmatic and deviant cases of dependent

development to situate the case of Turkey in the differentiating patterns of capitalist development within the global periphery.

At the country-level analysis, it has been broadly discussed that a closer study of the political economy of industrialisation strategies, institutional settings and development projects offers valuable insights in understanding why the capitalist development did not occur equally among late industrialisers but was instead limited to a few, and why Turkey, along with the paradigmatic cases of Latin America, has made limited progress in increasing the returns to scale, moving up the product cycle and integrating its local firms into the global value chains in a quest to occupy high value-added niches. In pursuing such an endeavour, a special emphasis has been laid on factors such as the shifting configuration of class forces, inter- and intra-class dynamics, and state-society relations to better understand the limited institutional capacity of the Turkish state in overcoming the collective action problems and so the challenges of changing dependency relations over time. In this sense, the late capitalist development of Turkey has been examined as an uneasy and abortive process of resolving the long-standing inter- and intra-class cleavages, balancing the changing interests and power struggles among various class fractions and mobilizing enough support for formulating and implementing long-term industrialisation strategies and development projects to move up to the level that enables the local firms to compete with the first movers in the global economy.

Therefore, given such a lower-road of developmental and institutional capacity, the local capital in Turkey has been incorporated into global economy on highly asymmetrical and dependent terms and mostly remained stuck at downstream segments of the global division of labour and value relations. Briefly stated, much more in conformity with the Latin America cases, the Turkish industrialists have mainly remained stuck at the lower stages of export roles, such as export-processing assembly operations, component-supply subcontracting and original equipment manufacturing and have displayed a limited success in shifting to the higher stages of export roles, such as original design manufacturing and original brand manufacturing. Thus, domestic manufactures have not expended their control over the entire circuit of accumulation and have never achieved the state of what Schwartz called “national” bourgeoisie. In this sense, as it was discussed in Chapter three, the local accumulation of industrial bourgeoisie in Turkey has mainly been conditioned by the broader cycle of

leading TNCs. The domestic bourgeoisie, as non-innovative or market follower firms, has been largely deprived of what we call Schumpeterian entrepreneurial profits or Marxian super profit and so the highly repressive labour regime has remained as the only option to continuously compensate their cost disadvantages, leading to impoverishing economic growth marked by intensified social and economic exclusion of masses from the growth process. As broadly discussed so far, such a lower road of integration with the global networks of production and trade is, more or less, evident all across the manufacturing sectors in Turkey, but as flagged up in the introductory Chapter it is best documented in the automotive industry in particular. As the major driver behind Turkey's structural transformation and the top sector of the country's export, the automotive industry indeed offers a valuable case to study the limits and prospects of development at the lower level of analysis. Thus, in the subsequent two chapters, the study shifts the focus of analysis from the generality and abstractness of country study to demonstrativeness and concreteness of sectoral analyses in order to provide deeper insights to the matter of dependency and development in Turkey.

CHAPTER 6

Multinational Auto-makers, State, Classes and a Retrospective Analysis of Dependency Relations in the Turkish Automotive Industry

6.1 Introduction

Concretising our discussion at an empirical level, this and the following chapter combine the merits of the country study presented above with the demonstrativeness of industry analysis, taking the Turkish automotive sector as a representative case, which is believed to add empirical rigor, deeper insight and further validation to our analytical framework. The formation and development of the auto industry poses an excellent case study for the changing dynamics of dependency and development in Turkey as a late industrialising country. First, ranking 15th largest in the world with an annual production over 1.3 million vehicles, employing more than 400,000 people and having been the export champion of the last ten years, the automotive sector is the main driver behind the export-led manufacturing and structural transformation of the Turkish economy (OSD, 2016; ISPAT, 2015). Given its considerable share in production, export and employment, no other sector better reflects the accomplishments and weaknesses of Turkey's overall development performance and its integration with the global economy.

Second, as one of the most internationalised sectors in terms of capital, production and R&D activity, the automotive sector is an industry of leading TNCs, which increasingly organise their operations on a global scale. With an annual production of over 90 million units in more than 50 countries, the automotive industry has not only become one of the most important agents of economic growth in the developing world, but also one of the major industries in the development strategies of latecomer countries, due to the substantial linkages it forges with other sectors (OICA, 2016). Therefore, another justification for choosing the auto industry lies in its highly globalised nature in organisational terms, as well as the vast spin-off effects it generates given its linkages with other sectors such as steel, plastics, textile, electronics, rubber, metal, etc.

Last but not least, the automotive industry, more than any other sector, typifies the changing limits and prospects of late capitalist development, given the ever-increasing entry barriers, characterized by rising economies of scale, skyrocketing capital requirements, rapidly changing product and process technologies, and intensifying competition in global markets. Although the auto industry historically played a spearheading role in the capitalist development of West European and East Asian countries in the twentieth century, and has in some sense matured, it has also undergone constant renewal. Earlier expectation that the auto industry would go through a similar life cycle to textiles and footwear, and be entirely transferred to low labour cost countries, appears misplaced. In fact, the advent of front-wheel-drive cars has been followed by the introduction and advancement of new technologies in engines, transmission and total powertrain systems. Furthermore, the application of assembly-line robots and innovations in new products and assembly processes has also made economies of scale and scope ever more important, and generated further advancement in automotive technologies, which is difficult for late comers to attain. Even today developing countries face intricate technological challenges and compete on a substantially imbalanced playing field, in which formal and informal barriers restrain the entry of new firms from the less developed world. Faced with these barriers, developing economies, in technological, managerial and commercial terms, rely on leading TNCs to gain a foothold in global automotive production, increasing returns to scale, mastering existing technologies and moving into the higher value-added segments of auto value relations.

Considering its significance as an ideal case to study, the following chapters examine the origins and development of the Turkish automotive sector, which has greatly conditioned and evolved within the context of the global restructuring of the automotive industry. Such an in-depth industry analysis avoids the generality and abstraction of country-level study, providing closer and more concrete insights into how the process and problems of late industrialization in Turkey have changed in conjunction with the shifting dynamics of dependency relations over time. Drawing on the three-fold periodization of dependency relations in the historiography of Turkey's capitalist development, the first section of this chapter starts with an account of the historical origins and earlier developments of the Turkish automotive industry between the mid-1950s and the early 1980s. This section scrutinises the historical setting for the

transition from classic dependence to dependent development and explores the formation of a triple alliance and domestic value chains in the Turkish automotive industry. The objective here is to understand how and under what conditions the earlier forms of dependency relations in the Turkish automotive industry arose and were concretised throughout the interrelationship between foreign capital, the state and domestic classes.

The second section then discusses the success and failure of auto-led industrialisation in pre-1980s Turkey, with occasional references to the insights derived from the Latin American and East Asian experiences. Special attention is given to shifting configurations of class forces, state-society complexes and institutional settings in Turkey, and their peculiar interaction with the world auto industry. The aim here is to reveal how the prospects and constraints generated by the world auto industry were dealt with in the national context of Turkey in these early stages. Such a historical account of the Turkish automotive industry provides a basis for understanding how changing forms of dependency relations and the uneasy nature of state-society relations conditioned the strategies of leading transnational corporations in the Turkish auto industry and provided preconditions for the present state of the sector.

Building on this retrospective analysis, the final section turns attention to recent transformations in the Turkish auto industry from the 1980s onwards. This section provides a detailed understanding of the changing dynamics of the industry and the ways through which it has become part of the value relations and strategies of leading transnational auto companies. This section propounds that the Turkish motor vehicle industry has undergone a series of transformations since the early 1980s, which marked the beginning of new era that would end up with full integration of the industry into global strategies and the asymmetrical value relations of leading auto multinationals in the 2000s and 2010s. Then, completing our industry-level analysis, the subsequent chapter focuses on this recent process by exploring how the re-integration of the Turkish auto industry through a particular type of accumulation pattern and a configuration of class forces and state-society relations generates a new form of exploitative and dependent auto-led development in Turkey.

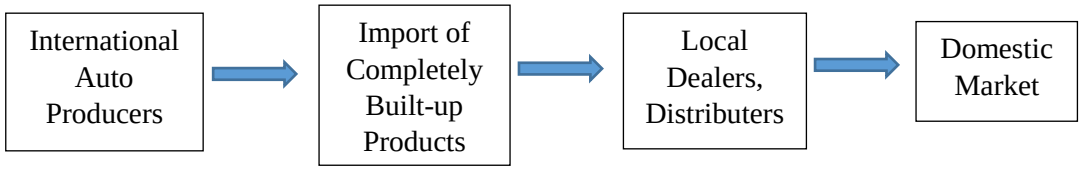
6.2 From Classic Dependence to Dependent Development: Formation of the Triple Alliance and Domestic Value Chains in the Turkish Automotive Industry

While automotive production had already started in the US and some European countries as early as the late nineteenth and early twentieth centuries, the origins of the auto industry in Turkey date back to the mid-1950s. The geopolitical role and development policy that Turkey assumed in the post-war period provided the historical setting for the formation of the industry. Shortly after the Democratic Party took office in 1950, the decades-old railway transportation policy of the young republic was abandoned and replaced with a nine-year highway construction programme which came into force with the financial backing of Marshall Aid (Ansal, 1988). The new transportation policy of the DP was well-matched with the standpoints of World Bank experts, who outspokenly recommended dismantling the inward-looking étatist industrialisation and giving priority to agricultural and commercial-led capital accumulation energised by foreign investments. Therefore, it was essential to connect regions of blossoming agricultural production with major export centres, and to open up domestic markets to a wide array of consumer products. Under the guidance of such policy shifts, the total length of the highway network increased by 30.7% during the 1950s, whereas the network of railways was largely neglected, with a slight change of 2.9% (Aksoy, 1990, p.40).

Coupled with mass migration to urban areas as a consequence of rapid mechanisation in the agricultural sector, triggered by the Marshall Plan and increasing income per capita thanks to favourable agricultural export earnings, the growth of intra- and inter-city networks stimulated domestic demand for motor vehicles in Turkey (Ansal, 1988). In the first half of the 1950-1960 period, increasing demand for motor-vehicles was met by the importation of completely built-up (CBU) vehicles in the partnership with local commercial bourgeoisies as local dealers or distributers (see Figure 6.1). As discussed in Chapter 4, this earlier stage in the automotive sector coincided with the final phases of classic dependency in Turkey's economic history. Standing at the edge of international divisions of labour, Turkey relied heavily on the export of primary and agricultural products in exchange for manufactured ones from core countries. It was also in this period that commercial-based capital accumulation reached maturity, allowing certain segments of the local bourgeoisie to transform into industrial capitalists in collaboration with international productive capital. Under these conditions of classic dependence, the number of motor vehicles more doubled, supplied by importation. The

number of passenger cars increased by 124%, while buses/minibuses and trucks grew by 124% and 127%, respectively (Aksoy, 1990, p.43).

Figure 6. 1 Classic Dependency and the Basic Mechanism of Value Relations in the Turkish Automotive Sector (Prior to the Mid-1950s)



Source: Drawn by the author

However, in the second half of the 1950s, the importation of motor-vehicles became increasingly difficult due to interruptions in Marshall Aids and rising foreign exchange bottlenecks, given deteriorating terms of trade in Turkey (Okur, 1994). It was thus in the midst of the foreign exchange shortages and balance of payment difficulties of the late 1950s that the Turkish state, similar to Brazil and Mexico,[66] placed the establishment of an indigenous automotive industry on its economic agenda in order to save foreign exchange. In his autobiography, Bernar Nahum (1988), a pioneer of the Turkish automotive industry, stated this point on behalf of the Koç group which had started as a Ford dealer in 1928 and later became the largest auto producer and conglomerate in Turkey:

> The starting point of the Koç group was domestic trade, then a trade started based on imports under names such as agency, distributorship and public dealership. The foreign exchange problems were felt for a long time in our country, and trade regimes and tariffs put in place as a result of this led to the belief throughout the Koç group, especially on the part of Vehbi Koç, that our country should industrialize (Nahum, 1988, p.253).

In fact, the establishment of the auto industry in Turkey was not only in the interests of the state and local bourgeoisies; it also coincided with the international strategies of multinational auto-makers. As discussed in preceding chapters, the post-war era, particularly the mid-1950s, saw the beginnings of structural transformation in the world capitalist context, characterised by the internationalization of productive capital and the expansion and relocation of manufacturing industry into the developing world. The

[66] Although the origins of the Latin American auto industry, particularly in Brazil and Mexico can be traced back to the early twentieth century, the establishment and promotion of an auto industry became a major element of the development strategies of host governments in the 1950s after they faced serious balance of payment difficulties. For detailed discussion of the Latin American auto industry, see Jenkins (1977 and 1984).

world automotive industry in the late 1950s and early 1960s was increasingly characterised by intensified concentration and competition among automakers, and by the worldwide dispersion of auto production,[67] particularly assembly operations, in a continuous search for economies of scale and new markets (see, Jerkins, 1977, 1984; Bennett and Sharpe, 1985; Sturgeon and Florida, 2000).

It was with such a convergence of the international strategies of multinational auto-makers with the domestic economic interests of the state and local bourgeoisies that the foundations of assembly operations were laid in Turkey. The first enterprise was that of Turk-Willys-Overland, which started assembling pick-up trucks and jeeps for Turkey's military under license from and with a 25% equity share for Kaiser Jeeps in 1954 (Ansal, 1988). In the following five years, particularly with the protectionist measures taken by the state in 1958, the number of auto assembly firms raised to five, all of which started assembly operations mostly as joint ventures or under licensing agreements with foreign auto-makers, manufacturing low volume of completely knocked-down (CKD) commercial vehicles for the domestic market (see Appendix 24).

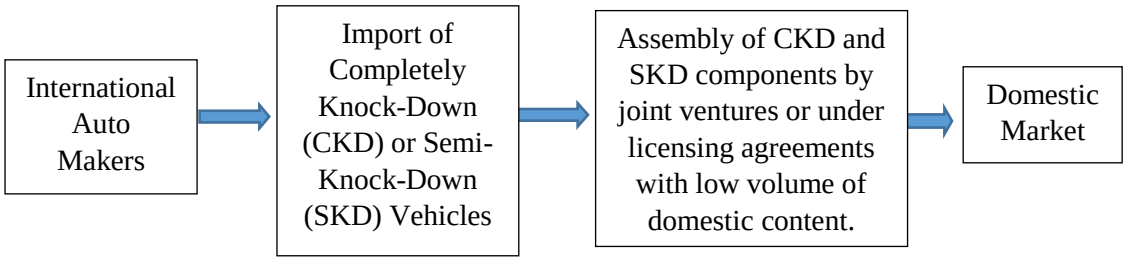
Starting from the late 1950s, therefore, the Turkish automotive industry was incorporated into the worldwide production strategies of multinational auto-makers and gradually developed under the framework of associated-dependent development. The interplay of multinationals, state and local capital, and the formation of a triple alliance are crucial in understanding such a transition in the Turkish automotive industry. Particularly with the penetration of international productive capital, multinational auto-makers were no longer external factors whose interests had been internally conveyed by domestic commercial bourgeoisie. Instead, multinational auto-makers were now operating locally and sharing an interest with both local capital and the state in the formation and development of the auto industry. During this process, specific sections of domestic bourgeoisie, particularly those who had reached a certain level of commercial accumulation, conveyed their desires to transform themselves into industrial capitalists by setting up direct and/or indirect partnerships (joint ventures, licensing agreements) with foreign auto-makers. As a complementary agent of this process, the Turkish state provided the economic and institutional framework for the

[67] Starting in the 1950s, international investment by auto-makers grew rapidly as both assembly and manufacturing operations dispersed to developing countries that were previously supplied by vehicle exports (see, Appendices 22 and 23). Between the years 1955-1969, auto production in developing countries rose by 18.9 % per year as compared to only 5.7% for developed countries (Jenkins, 1977, p.38).

emerging pattern of industry-based accumulation by taking protectionist measures and allotting grants to make assembly operations appealing, and by directly or indirectly supporting partnerships between multinational auto firms and the domestic bourgeoisie[68].

As Jan Nahum, son of Bernar Nahum and a leading figure in the Turkish auto industry, explained in our interview, the Turkish auto industry had no option but to be set up under joint ventures and licencing agreements, given the initial state of the industry, characterised by limited capital formation and lack of the required technology and know-how on the side of domestic capital (Interview No.4, 2016). During the 10-year period following its inception in the mid-1950s, the automotive industry in Turkey was highly labour-intensive and assembly-oriented, remaining mostly limited to the assembly of commercial vehicles with low-volume domestic content (Azcanlı, 1995). Given its labour intensive, routinized and technically matured nature, the dispersion of auto production in this initial period can be seen as the formation of domestically-oriented primitive value chains under the emerging dynamics of associated-dependent dependent development in the Turkish auto industry (see Figure 6.2). Auto production in this period did not embody international links, except for the importation of vehicle components and the adaptation of technology and assembly plants from abroad. In this sense, the technological, organizational and managerial dependence of Turkish auto industry was pronounced as only some ready parts such as batteries, rubber and paint could be supplied domestically, and almost all other components were imported from multinational partners.

Figure 6. 2 Transition to Associated-Dependent Development and Formation of Domestically-Oriented Primitive Value Chains in the Turkish Auto Industry (Late 1950s to the Mid-1960s)



[68] As Aksoy, (1990) and many others (Azcanlı, 1995; Okur, 1994) suggest, the state deliberately encouraged the assembly of motor vehicles in Turkey by adopting quota system, allotting grants and increasing the local content of assembled vehicles. The state also supported the formation of the auto industry by other means. For example, Prime Minister, Adnan Menderes wrote a letter of support to Henry Ford II to encourage partnership between Koç's Otosan and the Ford Motor Company (Azcanlı, 1995).

Source: Drawn by the author

The structure of the auto industry in this early period was marked by a lack of domestic demand, low volumes of production, the absence of a network of suppliers and high dependence of local auto firms on multinational partners. With the exception of the Ford-Otosan partnership, firms which had been established before the 1960s were not able to reach production targets and never succeeded in assembling more than a few hundred vehicles per year (Ansal, 1988). Therefore, the Turkish auto market was not attractive to multinational auto-makers in terms of establishing large-scale production facilities. It was not until import-substituting industrialization was firmly entrenched in Turkish development policy, with its necessary protectionist measures and encouragements that the auto industry really flourished under the consolidating dynamics of associated-dependent development.

As discussed in Chapter 4, with the 1960s military coup and the subsequent changes in economic policy, greater emphasis was placed on industrial development under an officially controlled import-substitution policy, based on five-year development plans. When long-term state planning started to set policies for the domestic production of durable consumer goods, the automotive industry was chosen as one of the major sectors that needed to be developed (Okur, 1994). As a reaction to the assembly-oriented nature of the industry, the primary objective was to shift from assembly operations to a more integrated domestic auto industry (Interviews No.46-51, 2016). A first, premature step was taken shortly after the coup. Regarding it as a matter of prestige, the new military government ordered the launch of a domestic car, fully designed and produced in Turkey. After 130 days of hasty labour at the Railway Workshop in Eskisehir, an almost 100% domestic car, called Devrim (Revolution), was manufactured based totally on labour-intensive craft principles. As Nahum explained, although the launch of the Devrim proved that Turkey was indeed capable of producing cars, it was not ready for cost-effective mass production given the lack of competencies, a qualified workforce, supplier networks and domestic demand at that time (Interview No.4, 2016).

Therefore, when the first five-year development plan, which covered the 1963-67 period, went into effect, the establishment of passenger-car production was excluded due to its infeasibility, but strategies of protectionism and encouragement schemes were adopted to increase capacity and local content utilization in vehicle production (Aksoy,

1990). The regulations adopted ensured the closure of the domestic market to the importation of vehicles, with the exception of light and cheap automobiles, due to the projection of low domestic demand. With the enforcement of "Assembly Industry regulations" in 1964, minimum local content ratios were also set for buses, trucks and cars, along with other durable consumer products such as radios, record players, refrigerators, vacuum cleaners and so forth.[69] The main objective herein was to reduce foreign exchange expenditures by minimising the industry's dependency on imported parts and encouraging as much domestic production as possible. This was levied through the annual renewal of import-allowed lists and the allocation of foreign currency to firms which met the envisaged local content requirements (Azcanlı, 1995).

However, despite the measures adopted to control and regulate the industry, the regulations did not encourage the development of a truly integrated industry structure with increasing local content (Okur, 1994). Rather, as Jenkins (1977, 1984) and others (Bennett and Sharpe, 1985) argued for the paradigmatic case of Latin America, regulations gave rise to investment in a number of new assemblers and further fragmentation of market structure in which none of these firms were capable of exploiting effective capacity utilisation and economies of scale. In fact, as in the Latin American cases, the Turkish auto industry in the 1960s and early 1970s developed with oligopolistic competition at the international level. The lack of local demand, and excess capacity in the local market did not mean that new investments in developing markets were not profitable. Rather, under the conditions of concentration and competitive struggle among multinational auto-makers, not to invest in markets with future potential would mean letting rivals pre-empt local markets, protected under the import-substituting policies (Jenkins, 1977)

This was the situation that the Turkish auto industry experienced in the 1960s. As there were no effective measures taken for limiting the number of firms entering the sector, the response of many new multinationals to the government's local content requirements was to rush into the Turkish market in quest of exploiting market potentials and assembly rents offered by the protected domestic market (Azcanlı, 1995). Although the government cancelled the assembly permits of four commercial vehicles producers that could not meet domestic content requirements, ten new commercial vehicle assemblers had been established as joint ventures and under licence agreements

[69] For local content requirements in automotive sector, see Appendix 25.

by the late 1960s (Appendix 26). Moreover, even though the assembly of passenger cars was not foreseen for about a decade, increasing demand for imported cars due to fast economic growth up to 12% per annum and expansion in highway networks triggered the domestic assembly of passenger cars (Okur, 1994). The first mass-produced automotive production began in 1966 with the Anadol. Produced within existing facilities of Otosan, the Anadol was designed for the domestic market by adopting the production techniques of the English Reliant Company and utilizing Ford engines and transmissions. Since it was not possible to establish a fully-equipped plant, the less-capital intensive technique of fiberglass production was adopted in a highly labour-intensive manner (Küçükerman, 2008), The Anadol was produced until 1982 when the project was abandoned since it could not compete against more advanced production techniques adopted by newly founded car assemblers (Nahum, 1988).

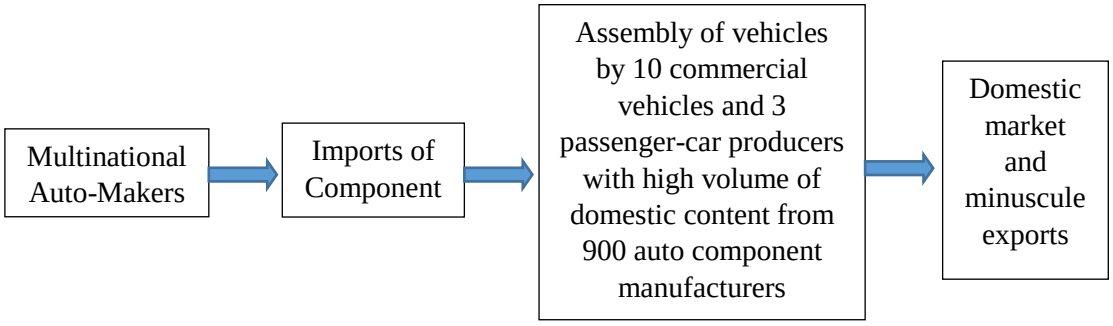
Supplies of the Anadol accounted for only 2% of domestic demand in 1967 whereas 98% of demand for cars was met through imports (DPT, 2006). Thus, given the rising demand, the government put domestic passenger-car production on its agenda for the second five-year plan period (1968-1972). Taking lessons from the abortive experience of the “Revolution”, the state this time resorted to support from multinationals to ensure success. Two major automobile companies were founded on paper in 1968 and 1969 respectively: TOFAŞ (Turk Otomobil Fabrikasi AS), with a 41.5% equity share for the Italian FIAT, and OYAK-Renault, with 44% of its equity share owned by the French Renault (see, Appendix, 27). With the establishment of both factories by late 1971, the auto industry in Turkey gradually gained momentum to a certain extent. As Okur (1994) suggests, these two factories not only surpassed all other firms in terms of production volumes, they also became role models for the rest of industry as they encouraged further developments in auto part supply chains in Turkey. The newly established passenger-car factories were bound by explicit targets and provisions, which imposed minimum production capacity of 20.000 units per annum and a 67% domestic content requirement within 18 months following the start of production.

Indeed, the supplier industry had experienced a certain degree of development before the establishment of passenger-car factories, given that the assemblers had already worked with numerous small-scale, low quality and cheap local suppliers. However, starting from the late 1960s and triggered by the foundation of passenger-car factories, the Turkish government took more decisive steps by setting new local content

requirements for the period 1971-1978 (see Appendix, 28). As many of the auto component manufacturers that were interviewed during fieldwork suggested, the foundations of today's auto supply chains in Turkey were shaped in the 1970s thanks to the decisive ISI strategies of the state and the efforts of auto assemblers to develop their own supply base (Interviews No. 13-20-29-30, 2016). Thus, by the late 1970s, the number of auto component firms that supplied domestic input to the industry rose to 900, with the establishment of SME-oriented domestic supplier networks and the emergence of large-scale suppliers having partnerships and licensing agreements with multinational component manufacturers (Aksoy, 1990, p.65).

Hence, it can be argued that from the late 1960s and early 1980s, domestic value chains in the Turkish automotive industry blossomed given the existence of a large number of firms producing commercial vehicles and passenger-cars with increasingly locally-made content (see, Figure 6.3), This development can be taken as a maturation in the local accumulation of industrial capital through the decades-long interplay between multinational auto-makers, the state and local capital. With the ongoing penetration of multinationals in the auto industry through joint ventures and licensing agreements with local capital and state enterprises, domestic production in the sector was established, certain segments of local capital transformed into auto industrialists, and the domestic auto supplier network developed and diversified concomitantly.

Figure 6. 3 Consolidation of Domestic-Oriented Auto Value Chains in Turkey by the late 1970s



Source: Drawn by the author

As the Turkish state, allying with multinationals and local capital, created a set of conditions for furthering investment in the industry, both commercial vehicle and passenger-car production gradually increased, as indicated in Appendix 29. It can be argued that Turkey, during this period, was able to confront a set of Gershenkronian

collective action problems in the auto industry, such as encouraging local bourgeoisies to aggregate capital and invest in new industrial plants, even though it was in part dependent on the favourable conditions facilitated by the internationalisation of productive capital.

However, despite relative success in auto-led industrialisation, Turkey did not successfully confront Kaldorian collective action problems, as the automotive industry remained limited in its capacity to create and capture higher value, by world standards. Much similar to Latin American cases, the entry of so many assemblers during these initial periods had a disastrous impacts on economies of scale, capacity utilisation ratios and the enhancement of technological capacity on an industrial level. As many studies (Ansal, 1988; Aksoy, 1990; Okur, 1994) reveal, under the highly fragmented market structure and low domestic demand, the industry suffered from low volumes of production, diseconomies of scale, and low capacity utilisation ratios, which in turn resulted in high costs and inefficient industry structure, and restricted the incorporation/enhancement of advanced technologies.

Suffering from diseconomies of scale and lack of technological capacity, more capital-intensive and technically-sophisticated components such as engines and transmissions were beyond the capacity of domestic companies (Okur, 1994). Furthermore, the establishment of wider domestic supply chains did not result in technological assimilation by local suppliers, but generated a highly segmented sub-industry structure (Interviews 19-34-13, 2016). On one hand, the sub-industry consisted of a large number of small- and medium-sized manufacturers that utilized backward techniques, with limited bargaining power on component prices. On the other, it also involved small numbers of large and technologically more capable enterprises that were founded as foreign subsidiaries or joint ventures following the investment of assemblers. Taking all these deficiencies into consideration, the features of an internationally uncompetitive and dependent industry structure were already established in these early stages. Given the fact that Turkey has not managed to develop a technically efficient and truly indigenous automotive industry, generating its own linkages with the upstream and downstream sectors, the issue of technological and managerial dependence of local assemblers on foreign partners was deeply rooted within the industry, coupled with sub-industry dominance by supplier firms that were reliant on the technology and collaborative agreements of multinationals.

6.3 Multinationals, State, Classes and the Failure of Auto-led Industrialisation in the ISI Period

All these disappointing outcomes during the initial stages of the automotive industry provide a well-exposed image of the failure of import-substitution-led industrialization in Turkey. As discussed in the theory chapters, the successful and long-term implementation of an industrialisation project is contingent on the ability of the state to build the necessary societal consensus and institutional settings to secure the required support in overcoming collective action problems, inherited in late industrialisation process. This was not the case neither in the cases of Latin America nor in Turkey, where ISI strategies were implemented in a haphazard fashion, rather than as part of a long-running capitalist development project. From the early 1960s until the late 1970s, the Turkish state was in the unpleasant position of reconciling the clashing interests of different classes and class fractions with the long-term project of auto-led industrialisation.

The first contradiction, in this respect, was laid in a presence of powerful nonindustrial and agricultural elite which in part precluded the implementation of a full-scale import-substitution policy. Similar to Brazil and other Latin American cases, and in sharp contrast to Korea, no Turkish governments dared to confront the formidable power of the agricultural elite by implementing modern agrarian reform or financing ISI through squeezing agriculture. This limitation in agricultural policy affected auto-led industrialisation adversely in two repects. First, as the class-nature of the Turkish state did not allow for an agrarian reform, the economic potential in the agricultural sector remained far from fully exploited, which in turn kept agricultural productivity and exports lower than their potential, and kept the domestic demand narrower than it should be. Second, as successive governments in the Turkish multi-party democracy competed for the favour of agricultural classes by keeping agricultural taxation below 1% and offering high agricultural price support, the low rate of appropriation of agricultural surplus for the industry remained as feature of the ISI period (Ansal, 1988).

Along with the contradictions emerging from the intact nature of the agricultural sector, formidable intra-capitalist cleavages in the private sector and the uneasy nature of state-capital relations culminated in the paralysis of state capacity and precluded the follow-up of a successful auto-led industrialisation project. Rapid industrialisation through import substitution policies led to conflicts within the private sector over issues such as

protectionism, foreign exchange allocation, credits and wage increases. Under ISI policies, as emerging industrialists diversified their production, they asked the state to add more and more locally-made items to the list of prohibited imports. Given the fact that the economic interests of commercial classes lay in the importation of manufactured goods, the prohibition of imports pitted industrialists against traders. As discussed earlier, although the 1960 coup had in a sense found a forcible solution to the contradiction between the new emerging industrialists and the commercial classes, the industrial bourgeoisie could not truly establish their hegemony over commercial capital.

Until the mid-1970s, auto-industrialists were deprived of a formal and steady channel of information exchange with the state (Interview, No.49, 2016). They were represented along with other industrialists and large numbers of commercial bourgeoisie under the umbrella of the Union of Chambers of Commerce, Industry and Commodity Exchanges (TOBB). The TOBB, which was the prime private sector organisation and was largely dominated by commercial interests, inevitably became a centre of intra-class cleavages within the capitalist classes (Barkey, 1988). As the newly emerging industrialists were increasingly in need of imported capital and intermediate goods, they required a large share of the country's foreign exchange. Given foreign exchange bottlenecks, the import requirement of the industrial sector therefore turned the industrial bourgeoisie against the commercial classes. Owing to the fact that the automotive sector along with other industries suffered from production cuts due to delays in foreign exchange allocations, they increasingly became critical of the TOBB which was in charge of allocating import licences and foreign exchange (Interviews, No.7-49-50, 2016). Hence, one of the major contradictions for auto industrialists was the decades-old underrepresentation of their interests within the TOBB, which limited the auto-led industrialisation by giving priority to the interests of commercial capital.

The cleavages within private capital further intensified when the frustrated petit bourgeoisies of Anatolia raised their voices under the tenure of Necmettin Erbakan as president of the TOBB. Erbakan's tenure was reflection of the growing alienation of emerging small-scale industrial capital allied with traders, shopkeeper and artisans (Barkey, 1988). As discussed in Chapter 4, the tenure of Erbakan induced the secession of big industrialists from the TOBB and led to the formation of TÜSİAD as their own representative organization. Yet this did not settled the underlying cleavages within the private sector. After the pro-big business ruling Justice Party transferred the TOBB's

power over import quotas to the Ministry of Trade and removed Erbakan from office, Erbakan and his followers formed the National Salvation Party (NSP). With the establishment of the NSP, the cleavages within private capital increasingly expanded into the political arena. During the three coalition governments between 1973 and 1978, the NSP, as a coalition partner, took the Ministry of Industry and Technology and had a hand in ministries of commerce, agriculture and justice, allowing it to have a stake in the distribution of economic benefits (Bianchi, 1984).

Considering all these dynamics, the early stages of the Turkish auto industry lacked well-established institutional channels of communication and reciprocal relations between auto firms and responsible state agencies. The extreme politicisation of ISI strategies in Turkey and Latin American cases like Brazil and Mexico help explain why import substituting auto industrialisation did not generate the same outcomes as it did, say in Korea. For much of the 1960s and 1970s, underlying inter- and intra-class cleavages and the intense lobbying of the private sector for economic rents delimited the institutional capacity of the state and prevented it from pursuing a well-designed auto-led industrialisation policy.

Therefore, the state, which itself became the object of inter- and intra-class cleavages, had no significant leverage over local industrialists nor multinational auto firms. Deprived of the technological and managerial skills needed for the industry, local bourgeoisies co-operated with multinational auto-makers in order to make full use of their capital and domestic connections, and get a foothold in auto manufacturing. In the absence of reciprocal relations and a formal channel of information exchange, the state was deprived of an appropriate milieu for taking strategically-designed, sector-specific measures with respect to the auto industry. During this period, one of the main failures, as many interviewees pointed out, was the state's indiscriminate encouragement of industrial development without pursuing a strategic choice towards either sectors or firms within each sector (Interviews, No.4-7-19-43-51, 2016). Mr. Nahum laconically recapitulated this point as follows:

> The planned economy bore its fruits, but on the other hand the democratic order in Turkey led to the evanescence of national focusing in economic terms. Under the pressure of meeting the demands of all segments, the state rulers in Turkey, with the idea of not favouring one sector or firm over another, could not develop strategically-designed policies with respect to industrial sectors. (Interview, No.4, 2016)

This unregulated manner of entering business helped local bourgeoisies quickly establish themselves in auto manufacturing as joint ventures or under license agreements. However, at the same time it led to a sort of bandwagon behaviour, in which the establishment of one assembly plant was followed by that of a rival company, despite the limited size of the domestic market (Azcanlı, 1995). As the basic motivation behind the state's unstrategically-designed policy was to set ground for the assembly industries, rather than developing a truly national industry by prioritising one firm over another, none of the auto companies were discriminated against on the basis of factors such as capacity utilisation, technology acquisition or nationality. There was no real concern to restrict the number of assemblers in order to pursue an industry-wide rationalisation to exploit the economies of scale and foster the technology development on the shop floor level.

A quick comparison of the Turkish auto industry with Latin American and East Asian cases might help us understand the initial factors leading to different industrial trajectories and less promising auto-led industrialisation in the subsequent periods. In sharp contrast to Turkey and the Latin American cases, rationalisation and specific targeting of the auto industry in Korea was much more prevalent during the 1970s, the critical decade of the Korean auto industry. As discussed earlier in Chapter 4, unlike Turkey and the Latin American cases, the Korean state enjoyed significant leverage against multinationals and domestic firms thanks to manageable internal class dynamics and unique ties between the state and chaebols. Reciprocal relations, strong institutional linkages, and ongoing communication between state and domestic capital made it easier for the Korean state to shape the industry, impose market order, limit foreign penetration and regulate the terms of competition among domestic auto-makers (Lew, 1992).

The earlier stages of the auto industry in Korea were not so promising, as it did not avoid the problems of absence of insufficient capital formation, low demand and productivity, and fragmented markets. However, in terms of industrial structure Korea had advantages over both Latin America and Turkey. The symbiotic relations between the state and auto-chaebols were instrumental in regulating auto-led industrialisation and developing an indigenous auto industry. As part of the famous Heavy and Chemical Industries Plan, proclaimed in the early 1970s, the auto industry was designated as a strategic sector, targeted to realise economies of scale and prepare for future export

expansion (Lew, 1992). Although the initial number of assembly plants in Korea was high considering its market potential, they never reached the number of assembly firms in Latin America and Turkey, which in turn meant less market fragmentation, higher prospects for exploiting economies of scale and greater efficiency in cost terms.[70]

Moreover, the pattern and role of foreign investment during the period in question was another factor that helps us understand the divergent trajectory of auto-led industrialisation in the following decades. As Jenkins (1977) pointed out, starting from the 1960s, major multinational auto-makers extended their hold over the Latin American auto industry by taking over licenses, buying off domestically-owned auto-makers and driving out domestic competitors. By the late 1970s, the Latin American auto industry was largely taken over by multinationals, as majority equity sharing or fully-owned subsidiaries dominated the entire auto industry in Latin America (see Appendix 31). The high degree of foreign ownership and low domestic control over the industry reduced the bargaining power of local bourgeoisies and the state with regard to formulating and implementing policies independent of the pressures of multinationals (Jenkins, 1977; Bennett and Sharpe, 1985). The heavy dependence of subsidiaries on the technological know-how, managerial expertise and strategies of parent companies was much more prevalent in the headquarters-subsidiary relations of the Latin American auto industry.

In stark contrast to the Latin American case, the Korean auto industry developed mostly through domestic capital, and licensing or minority equity sharing remained a prevalent ownership pattern in the early stages. Allying with auto-chaebols, the Korean state set majority domestic ownership as a prerequisite for assembly operations and was actively involved in bargaining with multinationals over the terms of technology transfer, managerial control, production capacity and exportation (Lew, 1992). Maintaining ownership and managerial control in the auto industry ensured that subsidiaries in Korea would not be sacrificed to the international rationality of parent or licencing companies. Given such a pattern of ownership in Korea, the interests of domestic auto firms were widely represented within a state-sponsored auto industry association that functioned as an intermediary between auto-chaebols and responsible state agencies. Thanks to this strong institutional linkage, local bourgeoisies provided insider

[70] For the number of assembly firms and market fragmentation, see Appendix 30 and Jenkins (1984) respectively. For more limited number of assembly operations (4-5 producers by the 1970s) and less market fragmentation, see Lew (1992).

knowledge of the industry that was essential in playing one firm off against another and bargaining with multinationals. Thus, a featured strategy of the Korean auto industry, as in the cases of Hyundai and Kia, was to adopt more aggressive and diversified licensing strategies in order to develop an indigenous auto industry based on more up-to-date technologies, rather than mature ones dumped on the developing world through multinationals.

In terms of ownership structure, the auto industry in Turkey lay somewhere between Latin America and Korea. Given a relatively small but still promising market in Turkey, multinational-auto makers were more willing to have a minority share in assembly operations in order to share the risks of the market with the domestic bourgeoisie. Therefore, unlike in Latin American cases, the amount of foreign ownership within the industry never reached majority levels but remained below 50%, with the exception of Chrysler, founded with 60% foreign equity ownership in 1964 (Appendices 26 and 27). However, despite this, operation and management characteristics in Turkish auto industry was more similar to the Latin American cases than their Korean counterparts. The weak exchange relationship between the state and auto firms, and disunity amongst the agencies shaping the auto industry, weakened the bargaining power of the Turkish state vis-a-vis multinationals and delimited the government's role in promoting indigenous auto-led industrialisation.

From early on, multinational auto-makers had been mostly operating on their own terms, dominating the industry. In sharp contrast to Korea, which actively bargained over every aspect of production capacity, management, technology transfer and equity ownership, etc., the bargaining matters of the Turkish state were limited to localisation rates, royalty payments, equity ownership and a minimum level of production capacity (Aksoy, 1990).[71] This did not necessarily mean that the Turkish state was subservient to the demands of multinationals all the time. However, as many interviews (No.3-4-7-8-12-18-20-34-45-50, 2016) reveal, in the absence of strong institutional ties facilitating ongoing communication between state and local capital, the state could not successfully identify required areas of intervention and bargaining that would result in concrete measures on behalf of national interests.

[71] The requirements in Assembly Industry Regulations for assembly operations were set extremely low. To give an example, a minimum investment of 5 million Turkish Lira, a minimum personnel of 2 engineers and 50 workers, and 500 square meters of manufacturing area were enough for the establishment of an assembly factory in bus manufacturing (see Appendix 1 in Aksoy, 1990).

The earlier structure of the Turkish auto industry, which involved a lack of institutionalised policy channels and heavy dependence on multinationals, started to change relatively by the early 1970s. As discussed earlier, the growing feeling of dependency on multinationals and increasing trade deficits in assembly operations led to more decisive implementation of local content requirements and the establishment of the TOFAŞ-Fiat and OYAK-Renault partnerships under the auspices of the Turkish state. The foundation of an automotive manufacturers association and the association of auto parts and components manufacturers in 1974 and 1978, respectively enhanced the level of information exchange between the state and auto firms to a certain extent (Interviews, No. 19-43-46, 2016). However, this did not put an end to the industry's excessive dependence on multinationals. The auto firms in assembly operations were not a genuinely local and organisationally cohesive group, ranking from majority-owned firms to those operating under license agreements. However, as a diversified group, the assembly industry was widely represented by the sole interest of foreign-partnered joint ventures, which were founded almost like branch factories of their parent firms abroad (Interviews, No.3-7-35-45, 2016).

Similar to Latin American cases, the auto assembly industry heavily depended on parents companies in almost every aspect of production. Even when one considers the more recent and relatively more successful examples of foreign-partnered joint ventures like TOFAŞ and Oyak-Renault, the headquarter-subsidiary relations in the assembly industry, as Okur argues (1994, pp.78-79) exhibited "the characteristics of a relationship between domineering centre and a subordinate periphery, leaving little scope of autonomy for the latter to pursue a genuine line of development". For example, almost all specifications related to products were provided by parent companies, and subsidiaries had very restricted authorisation as only in minor changes according to local conditions (Interviews, No.3-7-45, 2016).[72] Furthermore, in managerial terms, parent companies were heavily involved in many functions of subsidiaries, such as designing production lines and factory lay-out, technology transfer and development and procurement of parts (Azcanli, 1995). Equally important, in taking strategic decisions related to export activities, the assembly industry, including TOFAŞ and Oyak-Renault as well as other foreign-partnered commercial vehicle producers, relied heavily on their parent companies in compliance with licensing agreements (Okur,

[72] Even today, this is one of the main characteristics in headquarter-subsidiary relations in foreign-partnered joint ventures such as Oyak-Renault and Hyundai-Assan (Interviews, No.6-7, 2016)

1994). This method of functioning helped local bourgeoisies establish themselves as industrialists, gradually gaining greater experience and know-how in auto manufacturing. However, at the same time it prevented the assembly industry from organising and expressing the concerns of industry regarding local interests, making it difficult to upgrade domestic firms to genuinely indigenous auto-makers.

In many respects, the situation of the auto supplier industry was not much different from the assembly sector. As local content requirements were tightened, the number of supplier firms considerably increased during the period in question. The growth in local supplier firms strengthened ties between local firms and the state, leading to the establishment of an association of auto parts and components manufacturers in the late 1970s. However, as mentioned earlier, the auto supplier industry was not a cohesive group, as it had been segmented between locally owned small- and medium-sized producers and foreign-affiliated large-scale firms. As Aksoy (1990) rightly argued, no concrete measures were taken to enhance the technological capabilities of the domestic supplier sector, since governments concentrated too much on the assembly industry and its domestic content requirement. Foreign-affiliated parts manufacturers thus took the stage as first-tier suppliers with relatively few technology-capable domestic firms, leaving the manufacturing of highly competitive, low value-added components to the bulk of domestic suppliers (Interviews, No.8-29-34-46-50, 2016).

It is possible to conclude that before 1980, the overall development of the Turkish motor vehicle industry exhibited the characteristics of dependent industrialisation in ways more similar to Latin American cases, particularly countries like Brazil, Mexico and Argentina, in which auto-led industrialisation was more integrated. Although the alliance of multinational auto firms, the state and local capital brought with it well-developed, domestic auto value chains, local control over the creation, realization and capturing of value remained restricted given the excessive dependence of industry on multinationals in technological, organizational and managerial terms.

Given its overall nature, the motor industry, as in other manufacturing sectors in Turkey, represented a noteworthy drain on the balance of payment (Ansal, 1988). After initial stages in which there had been a net flow of foreign capital, the prevailing pattern for capital was to flow out of the country in the form of royalties, profits, technical assistance payments, costs of supplying capital equipment and components to subsidiaries. Furthermore, although local content levels reached 70-75% by the late

1970s, auto makers' export remained below the 5% as required target set earlier (Okur, 1994, p.84). As an overall characteristic of the ISI period, one of the major problems of auto-led industrialisation was its inability to utilise import-substituting strategies as a step towards creating the surplus value and foreign exchange required for further expansion. Therefore, when the world recession and oil crisis of the early 1970s finally hit the Turkish economy in the form of large trade deficits, foreign exchange shortages, falling real income and huge external debts in 1977, the production and sales of motor vehicles plunged dramatically, along with other industrial sectors, and eventually meant the replacement of ISI strategies with export-oriented ones after 1980.

6.4 Changing Contours of the Triple Alliance and the Formation of Global Auto Value Chains in post-1980 Turkey.

As discussed in Chapter 4, the pace of capital accumulation under ISI policies reached its limits by the end of the 1970s, as economic and political conditions in Turkey were enmeshed in a state of ungovernability. The manufacturing sector in the meantime found itself in a desperate situation of liquidity crunch, decline of industrial production and debt crisis, owing to the combined effects of both the internal contradictions of ISI strategies and the world-wide crises of the mid-1970s, accelerated by skyrocketing oil prices. Towards the early 1980s a well-marked reconciliation had already formed between international capital, state and local bourgeoisies around the installation of an export-oriented model of accumulation in the Turkish economy in general and the auto industry in particular. Such a transition to an export-oriented accumulation strategy in the auto industry came into being as a consequence of changing contours of the triple alliance under the emerging dynamic of global capitalism.

As set forth in the theory chapter, during the mid-1970s and early 1980s, internationalisation of all circuits of capital started to accelerate and gained qualitatively new dimensions, due to which both the creation and realization of surplus value began to occur on a truly global scale. The situation in the world automotive industry in this respect was not different from this trend. The period since the 1970s has been a time of ongoing reorganisation in the world motor industry, mainly driven by changing strategies of multinationals in response to pressures such as increasing competition, saturation of demand in triad countries and problems of overcapacity (Jenkins, 1987; Humphrey and Memedovic, 2003). The most significant change was the emergence of an increasingly global auto industry. The pursuit of increasing profit and sustaining

competitiveness made consolidation and internationalisation of capital in the world motor industry a prevailing feature over this period. Since the 1970s, the industry has been gradually consolidated through mergers and alliances among auto multinationals, and the number of vehicle assemblers has declined concomitantly (Appendix 32). In the same breath, the consolidation of the industry played an important role in the reorganisation of production operations on global basis, accessing particular regions and the design of vehicles for world markets. Eventually, the increasingly global nature of vehicle production intensified the significance of developing markets and forced the number of semi-industrialised and low-cost countries to emerge as export centres of vehicles and auto parts within the global operations of auto multinationals.[73]

It was the convergence of these strategies of auto multinationals with the changing interests of local capital and the state that made export-oriented auto industrialisation possible in the Turkish context. The late 1970s and early 1980s at the same time was a period of crisis and change with regards to local bourgeoisies in Turkey, particularly for big industrial capital and business classes. Under the decades-long ISI strategies, certain segments of the industrial bourgeoisie, spearheaded by the holdings-led big capital groups of TÜSİAD, had reached a certain degree of accumulation and maturity in industrial terms for further restructuring and integration into emerging of global economy. From the viewpoint of holdings-led big capital groups, which mostly owned large enterprises in both assembly and supplier auto industries, a shift towards an outward-oriented and export-led growth model appeared to be a viable option for reactivating the process of capital accumulation. Likewise, on the part of the state, the ungovernability of the economy due to recurrent crises of foreign exchange bottlenecks and ascending foreign indebtedness was believed to be the result of ISI policies. As governments relied heavily on foreign debt to pursue ISI-led accumulation policies, overall debt climbed from $1,960 million in 1970 to $11,419 million in the late 1970s (Krueger and Aktan, 1992). Thus, as the overall economy reached the limits of its borrowing capacity, there was no other way for the state than changing the overall accumulation strategy.

As a new convergence of interests within the triple alliance in Turkey, a series of new measures were gradually introduced from the early 1980s, adopting an export-oriented

[73] Since the 1970s, the share of non-triad countries in world motor production has gradually expanded since the motor industry has been increasingly globalised in a way to include developing countries as production hubs (see Appendix 33).

industrialisation strategy. As discussed in Chapter 5, the installation of an export-led industrialisation strategy gradually shifted the balance of class power in favour of international capital and export-oriented segments of local bourgeoisies, and fiercely marginalized the interests of labouring classes, the mass population as well as domestically-oriented capital groups. The basic motivation behind such a policy shift was to restructure the overall industry in such a way that it would become more integrated with global production and would be competitive in world markets, benefiting from a cheap and docile labour force (Interviews, No. 3-7-17-46, 2016). In line with this economic policy framework, the motor industry in Turkey has undergone a series of transformations since the early 1980s, which marked the beginning of a new era that would end up with full integration of the industry into the global strategies and asymmetrical value relations of leading auto multinationals in the 2000s.

Early steps in this direction were taken in the first half of the 1980s under Özal's government, mainly composed of neoliberally-minded cadres who were keen on launching a drastic export-oriented industrialisation model based on economic-cum-political repression. In 1983, the government abrogated the decades-long Assembly Industry Decree, and replaced it with Manufacturing Industry Regulations, by which some of the protective delimitations imposed on the automotive industry, along with many other sectors, were substantially relaxed (Azcanli, 1995). The basic rationale for the new regulation was to expose local manufacturing firms to foreign competition and encourage them to produce for global markets, which in turn would ensure currency saving and maximise foreign currency profits. The government at the same time adopted measures towards trade liberalisation in automotive products, including both CBU vehicles and motor-vehicle parts.

By the mid-1980s, the local content requirements fell into disuse and the list of non-importable motor vehicle parts was shortened (Ansal, 1988). Likewise, as of 1984, trade liberalisation in new and used motor vehicles was actualised, spurring an increase in imports, particularly in commercial vehicles (Okur, 1994). However, to protect domestic final-assemblers and suppliers from fierce competition for a while, the government also imposed provisional tariffs and surcharges and increased fund taxes, warning domestic firms that full-fledged foreign competition would soon be put in to practice (Azcanli, 1995). Thus, the overall policies of liberalisation, which were accompanied by incentives and export promotions, had the explicit goal of increasing

integration with the world auto industry through a dense network of trade and production relations (Interviews, No.8-19-21-43, 2016).

The introduction of new pattern of accumulation and a new industrialisation strategy throughout the 1980s was reflected in a number of significant changes in the Turkish motor industry. One of the most notable changes was growing modernisation and investment, leading to capacity increases and the development of new models. The leading firms in this respect were again two passenger-car assemblers: OYAK-Renault and TOFAŞ-Fiat. Starting from the mid-1980s, OYAK-Renault adopted a new investment and modernisation programme, by which the company's product range was expanded, including two recent models of Renault 9 and Renault 11, both of which had achieved notable success in Europe and North American markets (Interview, No.7, 2016). The outdated Renault 12 underwent renewal in order to be marketable at least in domestic markets, under increasing foreign competition. Along with the new-model related investments, annual production capacity was increased from 35.000 to 60.000 units by the late 1980s (Okur, 1994, p.142). Likewise, the TOFAŞ-Fiat partnership adjusted itself according to foreign competition by substantially upgrading its current models, modernizing its production technology and increasing its annual production from 30.000 to 75.000 units (Okur, 1994, p.143). Following the pattern in passenger-car firms, capacity expansion, and improvements in product spectrum and quality also gained momentum in the commercial vehicle sector (Ansal, 1990).

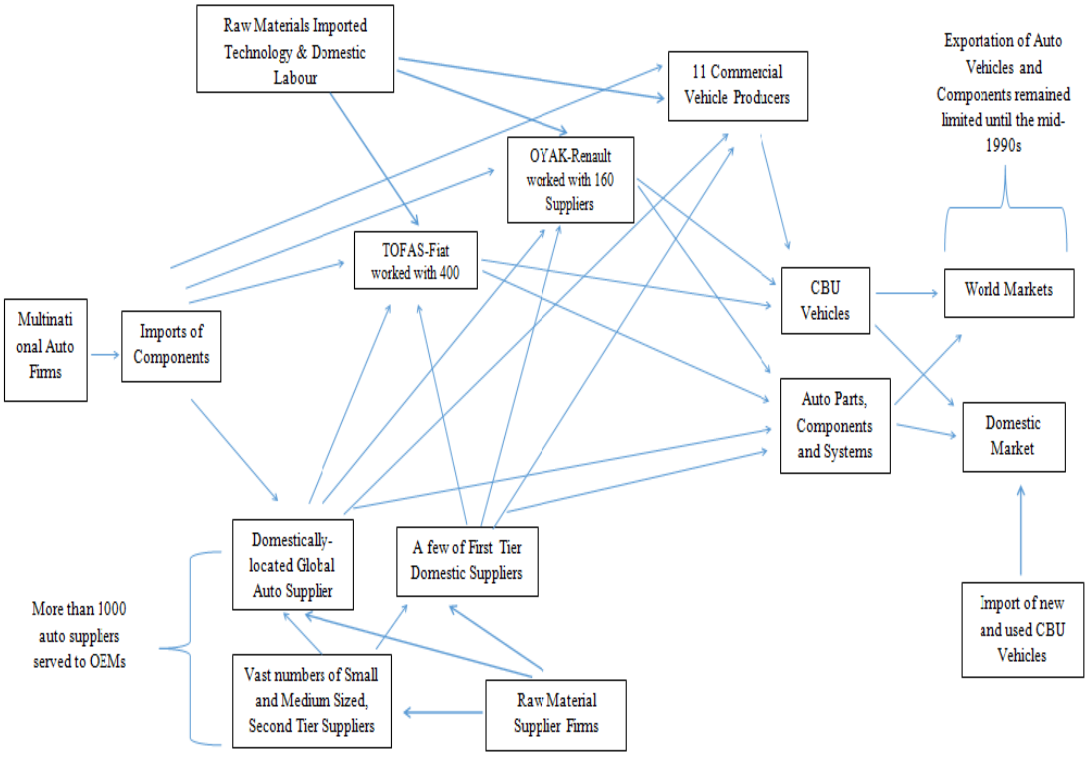
Thus, under the challenge of foreign competition, and benefiting from domestic economic revitalisation and new export incentives, the assembly industry was compelled to gradually modernise production, improve product quality and develop more up-to-date models. This in turn had implications for the industry overall, ranging from labour processes and shop-floor control techniques to relations with supplier industry. As the industry was directed towards foreign competition and outward-orientation, the issues of reducing costs, enhancing productivity and improving quality gained increasing importance (Interviews, No.4-7, 2016). Under the suppressive labour regime, the cost of labour systematically decreased, as an easy way of reducing costs. While the average daily wage in the organised sector had been 8.41 dollar, it dropped to 3.28 dollar by 1986. As of 1987, the real minimum wage was only 45% of 1963 levels (Ulugay, 1987, p.249). Likewise, new shop-floor practices such as job rotation, quality

circles and empowerment of multi-skilled workers were adopted by auto assemblers throughout the period (Okur, 1994).

Given the spectacle of growing cost reductions and quality improvement, this period also witnessed increasingly asymmetrical but much closer relations between assemblers and suppliers. Throughout the 1980s, technical assistance to suppliers intensified, and assembly firms started to launch strict supplier-auditing systems, demanding lower costs, higher quality and precision delivery (Azcanli, 1995). The abolition of local content requirements and the relaxation of auto part import, gradually strengthened the hands of assembler in negotiating terms of trade with suppler firms and enabled them to pass on the costs of new pattern of accumulation to supplier industry. As Okur (1994, p.154) discusses, relations between the assembly and supply sectors became more Janus-faced and eclectic in nature; while suppliers benefited from increased technical support and quality improving assistance, they were at the same time subjected to price cuts, delayed payments and intensified competition due to the possibility of multiple sourcing.

As a result, with the transformations of 1980s, the Turkish auto industry was revitalised and started to integrate into the global auto industry and the strategies of leading multinationals. In line with the modernisation of the industry, the production capacity of the assembly industry more than doubled while overall production in the industry quadrupled between the years 1980-1990 (OSD, 2015a, p.8). In line with the new model of accumulation and encouraged by export incentives, the auto industry began to adjust itself towards export-orientation by considering production for world markets as an indispensable option for the industry. Though still low by international standards, exports of vehicles almost doubled by the late 1980s (see, Appendix 34). The Oyak-Renault partnership in particular gained notable success in export markets, having clienteles in ex-colonies of France and extending its export outreach to Yugoslavia, Bulgaria and Portugal, accompanied by exports of components to Spain and Argentina (Interview, No.7, 2016). Furthermore, export value of auto components reached $121 million in 1987, from its level of $15 million in 1981 (OSD, 1991). As a result, despite being largely oriented to the domestic market, the auto industry in Turkey started to integrate into global automotive value chains, given the changing structure of value relations with the exportation of CBU vehicles as well as auto parts and components (see Figure 6.4).

Figure 6. 4 Export-Orientation and Changing Structure of Auto Value Relations in Turkey by the Late 1980s



Source: Drawn by the author relying on the works of Okur (1994), Azcanli (1995), Ansal (1990) and Dinçer (2007)

The early liberalisation and global integration initiatives of the 1980s gained momentum in the 1990s, when the auto industry experienced a visible shift towards productivity, quality and technology improvements in the context of higher foreign competition and increasing penetration of foreign capital (Ansal, 1999; Duruiz, 2004). At the turn of the decade, restrictions on all capital circuits were further relaxed, with the introduction of financial liberalisation and a reduction in import tariffs and duties on foreign trade (Duruiz, 2004). Added to these measures was a new incentive package for both new and existing foreign assemblers for furthering investments and launching new models into production. New foreign assemblers which produced new models with a minimum annual capacity of 100.000 units and existing manufacturers with new models of a minimum annual capacity of 50.000 units would be offered tariff exemption from CKD kids for five years, and received 100% exemption from the resource utilization tax, as well as 35% support premium on annual expenses (Ansal, 1999, p.207).

Thus, starting from the first half of the 1990s, a new wave of restructuring in the Turkish automotive industry came into the picture, given the increasingly attractive

investment and capital valorisation environment in auto production. As the low-cost workforce in production was accompanied by new investment incentives and the abolition of restrictions on foreign trade, leading transnational auto-makers increasingly considered Turkey as a production base for motor vehicles, serving European, Middle Eastern and North African markets. In particular, as the countdown towards the final stage of Turkey's integration with European markets came into effect with the signing of the Custom Union agreement with the EU in the mid-1990s, transnational auto-makers more than ever viewed Turkey as an important production location for the global sourcing of their models (Duruiz, 2004).

Under these conditions, the assembly industry witnessed a surge of new motor vehicle investments by third-party firms like Japanese and South Korean auto-makers, along with the rebuilding of manufacturing facilities of European and US auto-makers that existed in Turkey for some time. The first venture in this respect was established in 1990 by GM Opel, a fully foreign-owned plant with a maximum capacity of 25.000 units (Küçükerman, 2008, p.234). In the following years, three new investments took place as joint ventures with local partners: Toyota with Sabanci Holding, Honda with the Anadolu Group and Hyundai with Assan (Kibar Holding), all of which launched the production of their new models in the second half of the 1990s (Ansal, 1999).

Likewise, building on long-established links and inherited competencies, existing firms also reinvested in their manufacturing facilities in order to develop production capacities and launch up-to-date models for European and world markets. In line with Fiat's globalisation strategy, the TOFAŞ-Fiat partnership was rebuilt as one of the major poles for the production of Fiat's Global 178 car project, designed for the needs of Eastern European, Asian and African markets (Küçükerman, 2008). The production of new models like the Palio and Siena began as part of Fiat's strategy of creating a network of integrated operations within Europe. Another long-established automaker, OYAK-Renault, also became a production location within the global sourcing strategy of Renault's models, as in the case of the Megan Project, launched to serve European, North African and Latin American markets (Interview, No.7, 2016). Similarly, the assembly of light commercial vehicles for Ford was transferred from its Belgium plant to the Ford-Otosan partnership in Turkey, in line with Ford's global sourcing strategy (Interview, No.2, 2016).

As new entrants started production in Turkey and existing firms rebuilt their facilities as part of their global strategies, the integration of the motor vehicle industry into global value chains considerably accelerated particularly starting from the mid-1990s. As discussed in the theory chapter, such a structural change in the Turkish auto industry came about as part of an overall shift of world industrial production to low-cost, semi-industrialised peripheral locations under the rise of global capitalism. Thus it is fair to argue that the case of Turkey, as an important low-cost production location in Europe's backyard, increasingly fell within what Sturgeon and Florida (2000) calls Peripheral to Large Existing Market Areas (PLEMA). Similar to other PLEMAs, such as Mexico, Spain, Poland and Hungary, the principle role of the Turkish auto industry was to function as a proximate low-cost production milieu from which to supply large existing markets, particularly within continental-scale EU trade arrangements.

In line with the restructuring of the assembly sector, the auto supply industry also underwent a series of transformations that further incorporated domestic supply networks into global auto value relations. Encountering higher levels of foreign competition and product standardisation, component suppliers were forced to meet the increasing requirements of cost-efficiency, quality, delivery and flexibility as aspects of the global outsourcing strategies of transnational auto-makers (Eskiyenentürk, 2006). In the context of the outsourcing strategy of leading auto-makers, a series of structural changes came into existence within the auto supply industry to serve the needs of vehicle assemblers. As investments in up-to-date models meant outsourcing new and globally uniform components and parts that did not have a local supplier base, vehicles assemblers encouraged global suppliers to follow their investment decisions by building up component manufacturing plants in Turkey (Özatağan, 2009). Thus, similar to the trend of *follow source process* that was widely observed by Humphrey and Memedovic (2003) in certain other developing countries such as Brazil, Argentina, India, Malaysia and Thailand, the increasing cost-efficiency, quality, delivery and flexibility requirements of vehicle assemblers in Turkey were to a large extent met by the subsequent investments of global suppliers.

As mentioned earlier, the following source strategy of global supplier firms was not a completely new phenomenon, since it had been partly employed in the 1970s after the establishment of the TOFAŞ-Fiat and OYAK-Renault partnerships. However, under the increasing integration of the industry into global value relations since the 1990s

onwards, it became a prevalent trend of the supplier industry that profoundly remoulded hierarchical relations within local supplier networks. As Humphrey and Memedovic (2003) argue with respect to other developing countries, the growing preference of vehicle assemblers for outsourcing components from global suppliers as newly established first-tier manufacturers increasingly limited the possibility of sourcing from local producers in Turkey. Thus, some of long-established local suppliers needed to establish JVs and equity partnerships with global suppliers, as in the cases of Matay, Döktaş, Teknik Malzeme, Beycelik-Gestamp and BPO B-Plas (Interviews, No.14-17-50, 2016). Other suppliers which did not engage in partnerships either improved their production facilities to serve the changing needs of vehicle assemblers as first-tier manufacturers, or disappeared, changed sector, or moved to second-tier status along local supplier networks (Eskiyenentürk, 2006).

The 1990s thus marked a period of overall transformation not only for the auto assembly sector but also for the supplier industry, which brought with it larger, modernised manufacturing capabilities, increased automation, improved product quality and an increasing focus on exports. Particularly starting from the mid-1990s, the auto assembly sector was increasingly incorporated into the globalisation strategies of leading transnational auto-makers and thus was transformed into the production poles of world models for export markets. Faced with the increasing requirements of the assembly sector, supplier firms transformed themselves in the fields of cost-efficiency, quality and delivery under the active involvement of assembly firms, through training programmes and quality systems (Özatağan, 2009). Since new investments by global suppliers constrained the possibility of sourcing from existing local firms, local suppliers were forced to invest in capacity and quality development and attain international certification to get a foothold in export markets and global supplier networks (Eskiyenentürk, 2006). As a result of these dynamics, the industry overall became much more integrated into global auto value relations, which was directly reflected in the growth of exports and imports of both vehicles and auto parts (see Appendix 35). However, despite all these developments, it was still early to suggest that the motor vehicle industry was fully integrated into global production and distribution networks of value relations, since a real turn in this respect would appear under the series of arrangements starting from the early 2000s.

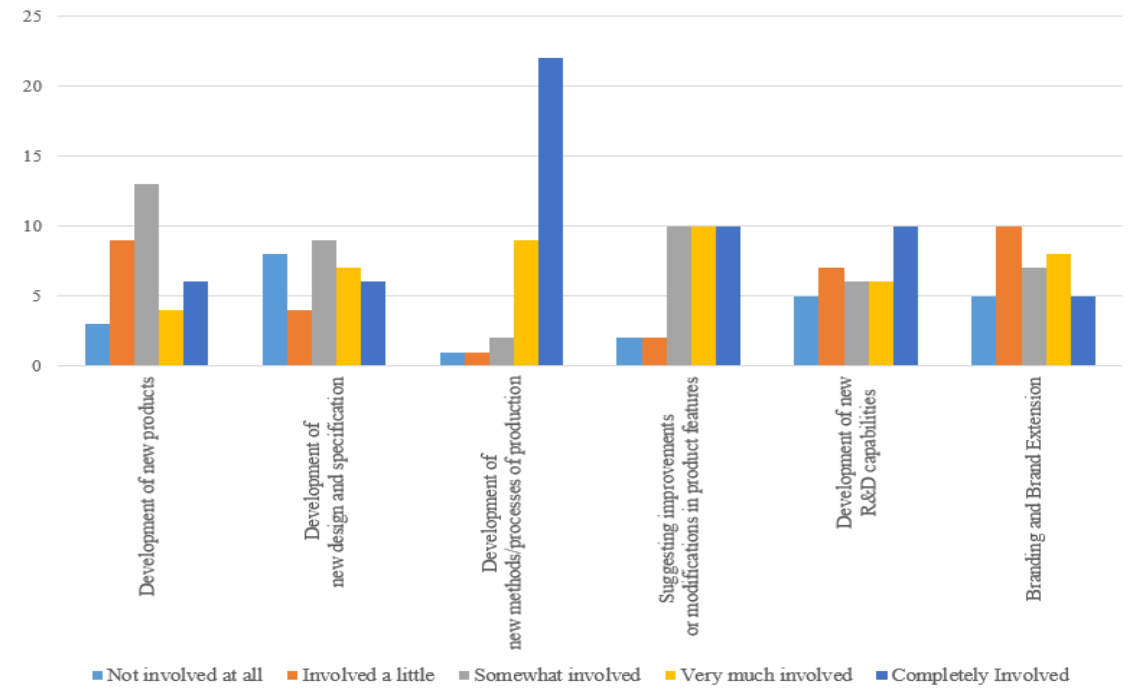
As discussed in Chapter 5, the 'twin crises' in November 2000 and February 2001 clearly revealed structural weaknesses in the Turkish economy in creating and capturing the surplus value required for long-term and stable capitalist growth. Under the critical juncture of the post-2001 period, a new wave of structural reforms were enacted in order to realign an export-led industrialisation strategy on the basis of increased competitiveness and productivity in collaboration with global capital (Ercan, 2006; Oğuz, 2008). As argued earlier, such a move in the Turkish political economy was in fact not a complete rupture from the decades-long outward-oriented development policy, but rather represented a complementary process in which terms of capital valorisation were secured and tied to the rationality of global capitalism through a wide range of legal, regulatory and institutional reforms.

In this respect, a series of independent regulatory agencies was established in almost every facet of economic governance from the financial sector to agriculture, from energy to telecommunications in order to secure the confidence of global capital and stimulate productive capital-based accumulation. The enactment of new FDI laws in 2003 eliminated previous restrictions on foreign investment, offered a highly favourable environment for repatriation of capital and profits, and acknowledged foreign investors' right to international arbitration. With the launch of the 'Reform Program for the Improvement of the Investment Climate' and the establishment of a coordination council, the global rationality and class interest of TNCs were internalised, and the overall investment climate was reframed in close coordination with transnational corporations. Furthermore, rigidities in the labour market were eliminated on behalf of globally-oriented capitalists who sought to realign export-led accumulation strategies on the basis of increased productivity and international competitiveness.

Thus, starting from the early 2000s, the overall economy has considerably revitalised, as structural reforms stimulated the creation of higher surplus value on the basis of a global competitiveness agenda with outward-oriented overtones. The overall composition of manufacturing and exports has evolved from traditional and low-tech sectors such as textiles to medium-low and medium-high sectors under the increasing penetration of foreign capital (see, Chapter 5). Along with this overall transformation in the Turkish economy, the motor vehicle industry has made a promising transformation that resulted in full integration of the industry into global value chains, as an ideal production location at the crossroads of many developed and developing markets.

Through full-scale integration in global value relations, the assembly industry witnessed a further increase in investments, and adjusted itself to the changing conditions of the global market by improving production processes, quality standards and product development capabilities. Evidence from fieldwork reveals that, since the early 2000s, six out of seven assembly firms interviewed have invested in new assembly lines, production technologies and product-development capabilities, through which they gained increasing competence in process standards, quality and design (Interviews, No.1-2-3-4-5-6-7, 2016). Likewise, parallel changes occurred in the supplier industry, where the diffusion of production capabilities, design and product-development competencies has increased to a greater extent. The survey of component suppliers (see Figure 6.5) shows that, since the early 2000s, supplier firms have developed further capabilities not only in production processes and quality standards, but also in product development and design capabilities to a certain extent.

Figure 6. 5 Full-scale Integration of the Turkish Auto Industry and the Involvement of Supplier Firms in Production, Design and Branding Capabilities since the Early 2000s



Source: Questionnaire Surveys (2016).

As a result of these changes in both assembly and supplier industries, motor vehicle production in Turkey increased from 468,381 in 2000 to over 1,410,034 units in 2015, representing a structural change of historical significance (see Appendix 36). Between the years 2000-2014, vehicle manufacturers invested more than $12 billion in their

operations in Turkey, by which the annual production capacity of the assembly industry reached 1.7 million vehicles by late 2015 (ISPAT, 2015). Coupled with reforms of post-2001 period, the penetration and further investment of foreign capital has accelerated in both assembly and supplier sectors, leading to increases in capacity and product quality, as well as the development of new models and components in Turkey (Interviews, No.3-6-7-11-14-22-43-51, 2016). Meanwhile, the total number of foreign-invested firms in the motor vehicle sector increased more than two and a half times from 105 in 1999 to 278 in 2014, these mostly exhibited the follow-source investments of global supplier firms (Undersecretariat of Treasury, 2005, p.24; 2010, p.29; 2015, p.21). Thus, the motor vehicle industry has witnessed increased international competitiveness and productivity thanks to the full-scale integration of the industry into the global strategies of transnational auto vehicle and component firms.

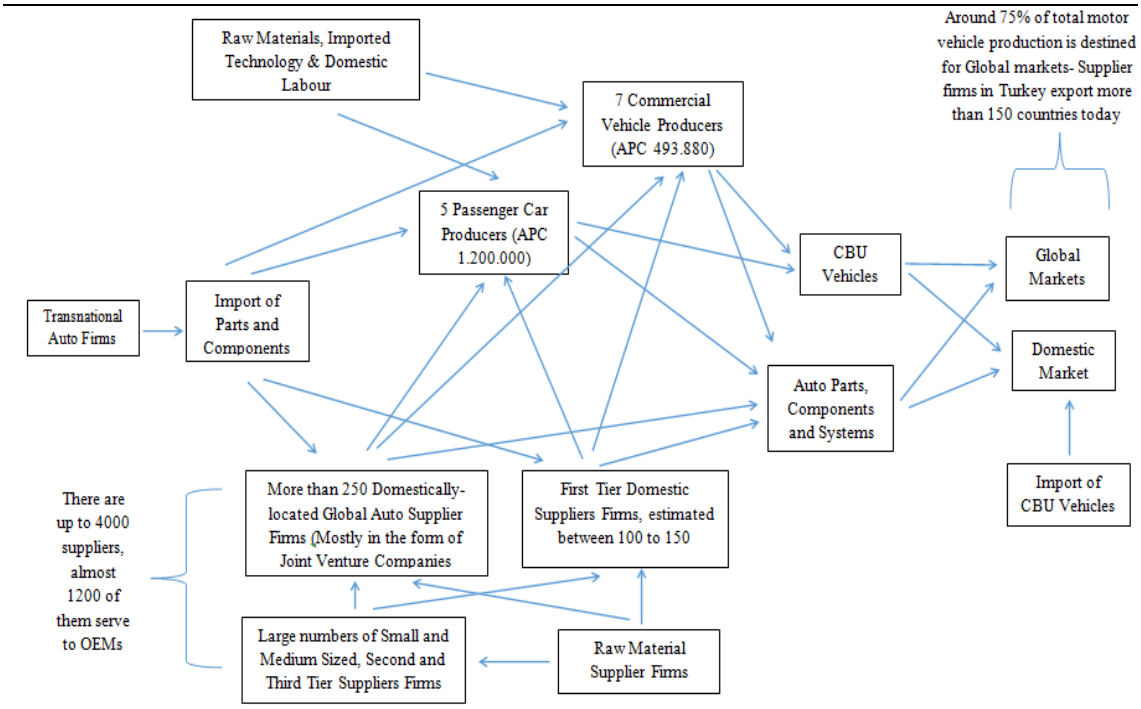
The full integration of the auto industry not only means more efficient utilisation of production capabilities, it has also brought with it an overall opening of vehicle production to trade networks of global value relations. An evaluation of Turkish trade figures indicates that the total volume of foreign trade in the motor-vehicle sector approached more than $46 billion in 2013, from $11 billion in 2000 (Appendix 37). As of 2015, more than 70% of total motor vehicle production ended up in overseas markets, creating almost $13 billion value, while the total value of vehicle exports was slightly over $1 billion in 2000, with a respective share of almost 22% of overall production (Appendix 37). The auto supplier industry, which has grown concurrently with the assembly sector, has also achieved higher performance in export volumes. Since the early 2000s, the total value of exported parts and components has increased almost fourfold, creating almost $9 billion value annually (Appendix, 37).

The increased penetration of foreign capital during this period, and the merger&acquisitions of domestic suppliers with/by global firms, has further linked the domestic supplier base to the global sourcing strategies of auto-makers and world markets, making the supplier industry in Turkey capable of exporting to more than 150 countries (Interviews, No.43, 2016). At present, there are up to 4,000 auto supplier firms in Turkey, almost 1,200 of which directly serve as first-tier manufacturers of OEMs, and more than 250 of them are foreign-owned or foreign-affiliated global suppliers using Turkey as production and export base (TCEB, 2012, p.5; ISPAT, 2016). Alongside increased export-orientation, the total value of imported components and

parts has also grown two and a half times, as a corollary of the fully-fledged integration of the auto industry into trade networks of global value relations (Appendix, 37).

The overall evaluation of trade figures implies that as of today both the assembly and supplier auto sectors in Turkey present a fully integrated industrial structure in global auto value relations (see Figure 6.6). Given a mix of country-specific factors such as low-cost production, a friendly business environment, docile and skilled labour power, decades-long experience and know-how in auto production, and geographical proximity to global markets, the Turkish motor vehicle industry has become a global automotive location that offers attractive value creation and valorisation potential, particularly for vehicle and component manufacturers targeting European markets. By the end of 2015, with almost its 80% of auto exports and 85% of auto imports going to European countries, the motor vehicle industry in Turkey has become the fifteenth largest producer in the world and the fifth largest in Europe (ISPAT, 2016). Thus, the Turkish motor vehicle industry presents a globally integrated structure and has completed its decades-long transformation into being one of the important production hubs within global auto value chains. Furthermore, particularly since the mid-2000s, the industry has been on its way to becoming more than just a manufacturing hub and auto exporter, as it has gained design and product-development competences both in vehicle projects and component production (see, Özatağan, 2011a, 2011b; Pamukçu and Sönmez, 2011; Karabağ et al., 2011 Bürken, 2014).

Figure 6. 6 Full Integration to Global Auto Production and Structure of Auto Value Relations in Turkey by late 2015



Source: Drawn by the author relying on Dinçer (2007), Özatağan (2009), ISPAT (2016), TCEB (2012) and OSD (2015a, 2016)

6.5 Conclusion

This chapter has provided a retrospective analysis of the origins and development of the Turkish automotive industry from the mid-1950s to the recent past. As argued here, it was the convergence of the international strategies of multinational auto-makers with the economic interests of the state and local bourgeoisies that laid the foundation of assembly operations in Turkey. Staring from the mid-1950s, certain sections of domestic bourgeoisies, allying with the state and foreign companies, conveyed their desire to transform themselves into auto industrialists by building direct and/or indirect partnerships (joint ventures, licensing agreements) with multinational auto-makers. This gave birth to the rise and consolidation of triple alliance and mostly domestic-oriented value chains in the Turkish auto industry under the dynamics of associated-dependent development.

More similar to Latin American cases of Brazil and Mexico, and in sharp contrast to Korea, the Turkish state was in the unpleasant position of reconciling the clashing interests of different classes and class fractions with a successful long-term project of

auto-led industrialisation. Lacking the necessary societal consensus and well-established institutional channels of communication and reciprocity, auto-led industrialisation strategies were implemented in a haphazard fashion, leading to industry fragmentation, diseconomies of scale, high costs, inefficient industry structure and restricted incorporation/enhancement of advanced technologies. Thus, when it comes to the post-1980 period, Turkey had already missed its historical opportunity to develop a genuinely indigenous industrial structure capable of exerting local control over the creation, realization and capture of value. Built on this relatively weak industrial structure, the auto industry experienced further restructuring along with the changing contours of the triple alliance under the new dynamics of global capitalism. Starting from the early 1980s, the auto industry gradually integrated into the global strategies and asymmetrical value relations of leading auto multinationals, as one of the most important hubs in global auto production. Eventually, this brought an overall transformation not only for the assembly sector but also the supplier industry, marked by the modernisation of the industry, higher capacity and automation, improved product quality, and increased export earnings and competitiveness. Particularly in the last one and half decades, the auto industry has become more than just a manufacturing, hub as it has developed a degree of design and product development capabilities both in vehicle projects and component production. However, whether and to what extent the current success of Turkey's motor vehicle industry within global value chains has brought a less-dependent and genuinely high-value-added auto-led development is still a matter of debate that will be scrutinised in the following chapter.

CHAPTER 7

Wheels of a New Form of Dependent Development: State, Social Classes and Global Value Relations in the Turkish Automotive Industry

7.1 Introduction

As seen in the preceding chapter, since the early 1980s the motor vehicle industry in Turkey has undergone a series of transformations which marked a beginning of new era, ending up with the full integration of the industry into the global strategies and asymmetrical value relations of transnational automakers. Through decades-long transformation, the motor vehicle industry has not only emerged as an export-oriented auto-production hub with largely modernised manufacturing capabilities, higher automation, improved product quality and cost-efficiency, but also has developed a certain degree of design and product development capabilities both in vehicle projects and component production. However, despite the overall improvements, the industry still faces a series of limitations in structural, organisational, managerial, technological and market-related terms, exhibiting the main characteristics of what we call a new form of dependent development.

Completing the industry-level analysis, this chapter explores how the asymmetrical integration of the Turkish auto industry with global auto value chains – through a particular pattern of accumulation, and a configuration of class forces and state-society relations – generated a new form of dependent and exploitative auto-led development from the early 1980s onwards. To that end, the first section examines how and to what extent the evolving class dynamics and the make-up of ruling coalitions have secured the necessary social consensus and institutional settings for overcoming collective action problems in the auto industry. On that note, this section explores the impact of inter- and intra-class cleavages and state-capital relations on the motor vehicle industry in terms of industry structure, the role of foreign capital, and management and business strategies of auto firms. This first section also comparatively discusses the recent

success of auto-led industrialisation in Turkey with occasional reference to the insights derived from the Latin American and East Asian experiences.

Furthering our analysis, the second section elucidates how a new form of dependent development in the auto industry has been concretised along asymmetrical and hierarchically-structured auto-value chains which are largely dominated by leading auto TNCs, but at the same time conditioned in socio-spatial terms by the ongoing interplay between leading TNCs, the state and auto industrialists in Turkey. This section sheds light on the issues of managerial, organisational, technological and market dependencies by taking into account firm-specific factors such as ownership structure, the nature of intra- and inter-firm relations between local partners and parent/licencing companies, as well as the overall global strategies of auto transnationals. Lastly, the final section shifts the focus to the question of labour and the matter of social upgrading, exploring the implications of the new form of dependent development for the labouring classes. More particularly, this section scrutinises how the rise and consolidation of a new form of dependent development has translated into a ruinous regime of labour control and exploitation in the Turkish auto industry.

7.2 Multinationals, State, Classes and the Nature of Auto-led Industrialisation in post-1980 Turkey

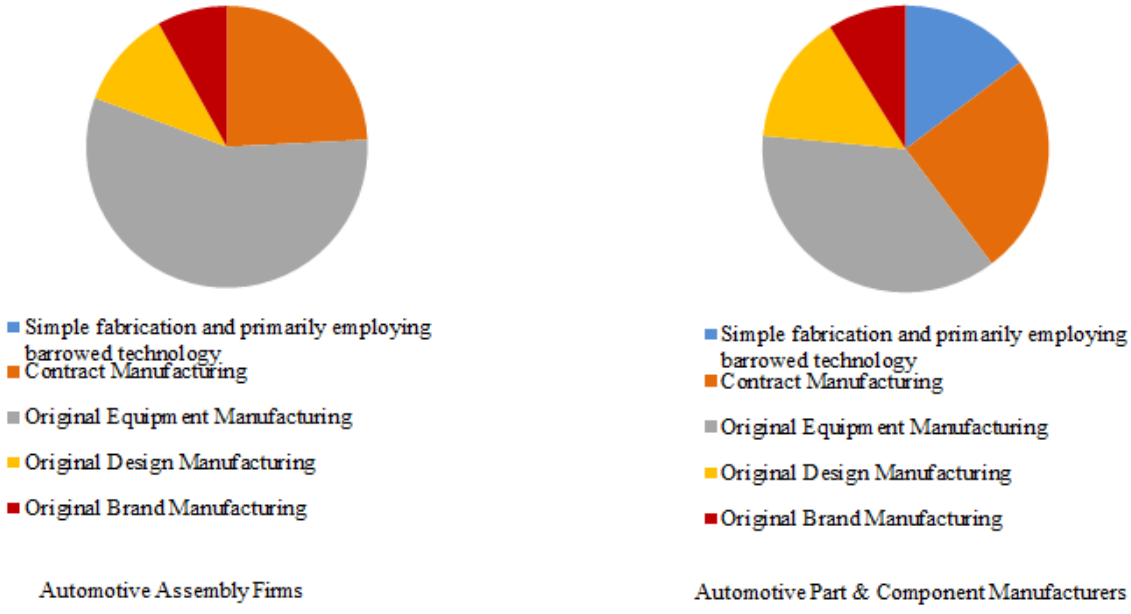
Since the early 1980s, the motor vehicle industry in Turkey has undergone a far-reaching transformation within global value chains, based on the decades-long interplay between transnational automakers, the state and local capital. Export-oriented policy reforms, the FDI-friendly business environment, and a series of complementary institutional and legal arrangements have led to the mobilisation of resources for the provision of social overhead capital, which includes the infrastructural and regulatory preconditions required for furthering auto-led industrialisation in Turkey. More precisely, the changing legal, institutional and regulatory setting has cleared the way for inducing both global and domestic capital to make new investments in capacity development and product quality, as well as to a certain extent in research and development, leading to the launch of new models for export markets.

It is fair to say that Turkey has been quite successful in confronting Gershenkronian collective action problems in auto-led development, which basically meant aggregation and investment of capital in auto production. However, despite its strong production

capabilities and recent export success, Turkey has remained limited in solving Kaldorian collective action problems, which mainly refers to increasing returns to scale, learning-by-doing, investing in design, conception, innovation, and thus creating and capturing higher value-added along global value chains. Overall, the vehicle industry in Turkey has largely specialised in offshoring and outsourcing segments of global auto value chains, due to which Turkey's competitive advantage mostly lies in the assembly of vehicles and production of parts and components with the required cost-efficiency, quality and flexibility, but shows relatively limited achievements in areas such as design, product conception, marketing and branding (Interviews, No.2-3-4-6-7-9-10 etc.). More in conformity with Latin American cases such as Mexico and Brazil, the Turkish motor vehicle industry has adopted a lower-road of articulation with global auto production (for Latin American cases see Lee and Cason, 1994; Kuwayama, 2009; ECLAC, 2009).

In compliance with its manner of integrations into global auto value relations, the Turkish motor vehicle industry has mostly taken part in downstream stages of export roles such as export-processing (or in-bond) assembly operations, component-supply subcontracting and original equipment manufacturing, rather than moving to upper-stream stages such as original design manufacturing and original brand manufacturing. Evidence of this has been observed in questionnaires and interviews (2016) with board members and managers of assembly and supplier firms. Since the early 2000s, the auto assembly and supplier industries have, to a certain extent, been able to develop product development, design and branding competencies, but this is not commonly observed in the industry overall (see Figure, 7.1). As for the assembly sector, manufacturing roles such as original design manufacturing and original brand manufacturing are confined to bus body builders (for reasons discussed later), while the rest of the assembly firms have gained only limited capabilities in terms of design and product conception (Figure 7.1, Interviews, No.1-2-3-4-5-6-7). For the auto supplier industry, although component and part manufacturers have increased their involvement in co-design and product development competencies, this has remained relatively limited and most importantly cutting-edge innovation activities such as own-design production, marketing and branding have mostly remained in the grip of leading transnational firms (Figure 7.1, Interviews, No.13-14-18-20-22-24-30-46-50, 2016).

Figure 7. 1 Manufacturing Roles of Automotive Assembly and Suppler Firms in Turkey since the Early 2000s



Source: Questionnaire Surveys (2016)

In fact, this manner of integration in Turkey's motor vehicle industry reflects a combination of failed strategies of auto-led industrialisation on the part of both the state and local capital since 1980 onwards. As discussed earlier, successful implementation of industrialisation project on the basis of a long-term project is likely to be achieved as long as class dynamics and the make-up of ruling coalitions within a country secure the necessary social consensus and institutional settings for overcoming collective action problems, inherited in the late industrialisation process. In this respect, the auto-led industrialisation in the last couple of decades cannot be seen as a successful developmental turn, but rather as a change in the continuity of its transformation in company with the restructuring of the world auto industry.

Starting from the early 1980's, the outward-oriented and export-led industrialisation strategies have been built upon increasingly uneasy nature of state-society relations that never enabled the Turkish state to truly reconcile intra-class cleavages and secure the wider consent of social classes round a productivity- and technology-enhancing industrialisation project, neither in the auto industry nor any other sector. As far as state-society relations are concerned, long-standing legacies of inter- and intra-class cleavages inherited from earlier periods escalated with the pronounced manifestation of

economic and political power of new generations of industrial and commercial capitalists. The period following the launch of outward-oriented growth policies was accompanied by the balkanisation of the Turkish political economy, marked by the proliferation of business associations and federations as self-conscious fractions seeking their own interests, even at the expense of others. In one interview, a high-ranking professional, among many others, straightforwardly complained about this situation as follows:

> From the perspective of state-business relations, it is apparent that the business world is highly divided. Koç Holding is a world on its own, and so are several other groups such as TÜSİAD [Turkish Industry and Business Association], TUSKON [Turkish Confederation of Businessmen and Industrialists], MÜSİAD [Independent Industrialists' and Businessmen's Association], ASKON [Anatolian Business Association]. Excuse my language, but the relations within the business world are in a pissing contest and a conflict of interests due to such grouping (Interview No.7, 2016).

In fact, the increasing balkanisation of Turkish political economy has further implications for the development of both the industrial sector in general and the motor vehicle industry in particular. Firstly, in a country like Turkey where domestic saving is historically low and so the need for capital is high, the political and bureaucratic scene always becomes a focal point of conflict between different fractions of capital that seek rents and favourable access to incentives, subsidies and financial funds (Bekmen, 2014). In this way, the sharpened fragmentation within the local bourgeoisie in the 1980s and 1990s translated into extreme politicisation of export-led industrialisation strategies and incentives (Önis and Webb, 1992; Aydın 2005). As Biddle and Milor's study (1997) found, this a situation also manifested itself in the auto industry, where firms generated particularistic and rent-oriented formal and informal networks with state and political elites.

The nature of state-capital relations in the auto industry crippled expected outcomes of investment-, export- and R&D-incentive regimes, as business lobbying failed to contribute to the conceptualisation and implementation of a competitive- and innovation-enhancing incentive mechanism, but rather re-produced the pursuit of particular benefits and rents at the formation and implementation stages of industry policy. This is not to say that there are no favourable outcomes concerning the incentive regime structure. In fact, interviews (No.2-8-9-13-15-21-43, 2016) on policy effectiveness and business performance in the incentive regime revealed that incentives,

particularly R&D funding schemes, have positive effects on auto firms, particularly in building their capacities, remaining competitive in global production, and taking projects from foreign customers and affiliates. Nevertheless, despite its contributions, the incentive regime has remained limited in a number of aspects. On the surface, access to subsidies and incentives seems to be regulated in a formal and transparent manner as the assessment criteria and contractual obligations clearly spell out. Yet in practice, the transparency and canvassing of business opinion has led to more particularistic relations, rent seeking, policy inefficiency and misuse, as stated by numerous interviewees (Interviews, No.3-7-8-12-19-35-45-48-51, 2016).

Moreover, given the milieu of increasing fragmentation within local capital and thus political elites, the institutional capacity of the state to design, steer and implement a successful, long-term industrialisation policy has been paralysed as well. Since the turn to market-oriented economic policy, relations between the state and different fractions of capital have been based on a shaky and non-institutionalised alliance due to which export-oriented industrialisation strategies have come until today in a zigzagging fashion (Özel, 2015). In interviews with managers of firms and business representatives, this form of industrialisation policy was widely stressed, referring to the lack of coherence and long-term strategic vision due to the existence of private-sector cleavages and the absence of coordination between state and industry (Interviews, No. 2-7-8-12-18-34-35-50-51, 2006). Two interviewees in particular bluntly overemphasised this point as follows:

> In Turkey, there has never been a well-coordinated atmosphere and organisational structure that relied upon common sense between state and business world. As the governments changed, the approach the auto industry has changes as well. At every turn, as a rule, fragmentation of business world has been observed based, on being proponents of and opponents to governments. As we are already aware, TÜSİAD, the top organisation representing the industry, and the government have been explicitly arguing with each other up until yesterday. Thus, a well-coordinated and mutual atmosphere between state and industry has never fully-developed (Interview, No.20, 2016).

> The most fundamental issue with regard to relations between the state and the business world in Turkey is the lack of an organisational structure and mentality which is robustly grounded, sustainable and visionary. The collaboration and institutional relations between state and business progress as more of a jigsaw puzzle. Whereas there is an adopted approach to industry for this period, a different approach emerges in another one. Within the business world, organisational activity, which is more based on federations

> and intermediary institutions, has gained more importance in the last 10-15 years. Yet, unfortunately, this is not sustainable or visionary either, but rather considerably politicised. I mean the influence of the politics on the private sector is ever so much as the business world is always segregated based on proximity to the government in every single period (Interview, No.8, 2016).

Under this context of increased fragmentation, state-capital policy networks in the Turkish auto industry has never developed the reciprocal relations or channels of information exchange that would allow information to pass among state elites and domestic capital, encouraging sector-related inputs in industrial policy formation and generating wider consensus around adopted policy direction. Rather, in the absence of reciprocity and collaboration, the state has been deprived of an appropriate milieu to take strategically-designed sector- and firm-specific measures to restructure and rationalise the auto industry along nationally capitalistic lines. On that sense, from a comparative political economy perspective, the development trajectory of the Turkish auto industry thus exhibits some characteristics similar to those of Latin American cases such as Mexico and Brazil. Based on a comparative analysis of East Asia and Latin America, Hira (2007) also finds that the fragmentation of Latin American societies and fragile relations between states and local capital has led to rent-seeking and political-infighting, which in turn inhibited the formation of functional state-business alliances that could move industries into higher value-added segments of global value relations.

Despite their sub-country variations, the development of auto industries in Mexico, Brazil and Turkey show similarities in their patterns of participation in global value chains, sharply contrasting with the South Korean model of auto-led industrialisation. First of all, in the former, organisational characteristics of assembly firms differs from Korean counterparts, as do organisation and relations of production in assembly sector. While the assembly sectors in Brazil, Mexico and Turkey have typically restructured themselves into export-oriented manufacturing hubs and entered global value relations by relying on subsidiaries of transnational automakers, Korea's assembly sector has opted to go it alone by establishing itself from the late 1980s onwards as a major exporter under its own brand names.

In sharp contrast to Mexico, Brazil and Turkey, the reciprocal consent, symbiotic ties and ongoing communication between the Korean state and domestic auto firms have given significant leverage against transnational automakers, and led to the implementation of sector- and firm-specific industrial restructurings. Thanks to the

tightly-coupled relationship between the state and automakers, the Korean auto industry has advanced to its current prominence through a series of industrial restructurings that constrained entry into domestic markets, weeded out unfit players and advanced firm-level competitiveness (Lee, 2011). In accordance with the state's rationalization policy, the restructuring of the auto industry during the 1980s assigned production and sales territories to specific auto firms- passenger cars to Hyundai and Daewoo and commercial vehicles to Kia (Lee, 2011). The industrial restructuring in Korea (see Appendix 38), which limited the number of firms to no more than four and assigned specific tasks to specific firms, allowed domestically-controlled auto firms to achieve economies of scale and subsequent international competitiveness in global markets (Lee and Cason, 1994; Lautier, 2004).

As Lee (2011) argues, under the context of industrial restructuring and proactive incentive regime, the dominance of business conglomerates, namely chaebols (i.e. Hyundai and Daewoo), was further fortified, and locally-controlled automakers were supported in building manufacturing capacities to be able to export overseas markets under their own brands. As soon as the required technical capabilities ware built through multiple channels of licencing and effective bargaining of technology transfer with multinational automakers, the Korean auto industry expanded abroad, firstly by exports and later by overseas investments strategies, backed by the state (Lautier, 2004). Combined with state-controlled financing, the aggressive export and investment strategies of Korean automakers led to a rapid capacity-push. Auto production increased 23-fold from the 1980s to 1996, reaching over four million units by 1997 (Lautier, 2004, p.221; Lee, 2011, p.142). The big three of the industry, Hyundai, Kia and Daewoo, adopted a 'Global Top-10'strategy involving productive investments in overseas plants in the mid-1990s (Lee, 2011).

By the late 1990s, Korean automakers were confronted with the serious problem of over-expansion and crippling debt due to which the industry entered a second wave of industrial restructuring which further consolidated industry structure through mergers and accusations (Lee, 2011). The Kia Group was acquired by the Hyundai Motor through a state-sponsored action plan. Whereas the Hyundai-Kia group upgraded its presence as the country's dominant player with 71.3% of overall production, other small players like Daewoo and SsangYong Motors became M&A targets of foreign partners as part of the global restructuring of the auto industry (Lee, 2011, p.141-144). Overall,

based on these two waves of restructuring, the Korean auto industry made successful inroads into global value chains under its own brands and marketing networks (Lee and Cason, 1994; Lautier, 2004). Thus, as discussed in the theory chapter, the Korean auto industry, which has developed as a genuinely national industry, enjoyed Schumpeterian entrepreneur profits or Marxian super profits, since it secured greater control over the entire circuits of accumulation along auto value chains, ranging from supplier networks to production, from product development and branding to marketing networks.

In contrast to Korea, the auto industries in Brazil, Mexico and Turkey have been largely tied to the global strategies of transnational automakers and supplier firms whose interests have been combined with the efforts of the state and domestic capital. The lack of reciprocal relations, symbiotic ties and co-operative arrangements between states and local capital in Latin American cases and Turkey posed a stark contrast to Korea, where state and auto industry shared the view that the country should develop a globally competitive industry under its own brands and marketing networks (for Latin American cases see Jenkins 1995; Hira, 2007). These three countries' success in auto production and export has rather been driven and conditioned by the investments of global automakers and suppliers which have remained the pioneering capital bloc behind auto-led industrialisation (for Latin America see, Lee and Cason, 1994; ECLAC, 2009; Wójtowicz and Rachwał, 2014).

As discussed earlier with respect to the ISI era, the industry structure in Latin American cases and Turkey was historically fragmented, given the presence of too many transnational auto firms enjoying too much control over the industry. This was further consolidated with the shift of development policies to capital-friendly, export-oriented industrialisation strategies, through which these countries emerged as export platforms of motor vehicles and components for regional and global markets. In the case of Brazil, the auto industry witnessed a far-reaching transformation since the early 1990s, marked by the modernisation of existing manufacturing facilities and establishment of new plants by European, Japanese and Korean automakers (Shapiro 1994; ECLAC, 2009).[74] During the period 1990-2012, more than $71.1 billion were invested in the Brazilian

[74] New entrants such as Honda (1997), Toyota (1998), Mercedes-Benz (1999), Renault (1999) and Peugeot-Citroen (2001) invested in the Brazilian auto industry as part of their strategies to globalise their production and marketing networks. The arrival of new entrants forced existing assemblers such as Ford, GM and Volkswagen to modernise their manufacturing facilities and re-connect with the global system of production.

auto industry; of which 61.3% was invested in assembly industry, 38.7% in supplier sector (Wójtowicz and Rachwał, 2014, p.87).

Much like its Brazilian counterpart, the Mexican auto industry took a similar path of integration with global auto production. Increase in Mexican auto production and export would not have been possible without the establishment of new plants and modernisation of existing facilities, both of which have been driven by new investments from transnational auto corporations (ECLAC, 2009). From 1990 to 2012, the Mexican auto industry received more than $36 billion in FDI: of which 28.9% invested in assembly industry, 71.1% in supplier sector (Wójtowicz and Rachwał, 2014, p.93). [75] Thus, as in Brazil, the investments of transnational automakers and suppliers have been the main driving force behind Mexican auto-led development. Nevertheless, despite these common features, these two outstanding cases also exhibit certain dissimilarities with respect to their participation in global auto production. While Mexico, combining its low-cost workforce with extensive FDI inflows from the US, Europe and Japan, has become an export platform for the world's leading auto firms targeted to NAFTA region, Brazil, which has trade ties mostly with sub-regional markets through MERCOSUR, and Europe via bilateral trade agreements, has emerged as a manufacturing hub of global auto firms, serving sub-regional as well as European markets (Gereffi, 2015).[76]

Thus, in terms of industry structure, management style and business strategies, the participation of the Turkish motor vehicle industry in global auto production has been more similar to cases of Brazil and Mexico than South Korea. In this respect, one of the most visible characteristics of the Turkish motor vehicle industry since the early 1990s has been the increasing penetration of foreign capital. As discussed earlier, increasing FDI during this period occurred as a combination of both greenfield investments in manufacturing plants by new entrants and brownfield investments, mostly in the form of modernisation of existing facilities. Meanwhile, the equity share of foreign capital in auto firms also increased particularly after the Custom Union agreement with the EU and in the aftermath of the twin crisis in the early 2000s, which can be regarded as the

[75] The investment profiles of Mexico and Brazil suggests that these two countries have been treated differently by global auto corporations. Whereas. Mexico, despite the considerable number of assemblers, mostly functions as a hub for auto components and parts, Brazil hosts both assembly firms and follow-source global suppliers.

[76] While the US Big Three, General Motors, Ford and Fiat Chrysler are historically the main exporters in the Mexican auto industry, European auto firms are dominant in Brazil.

Latin Americanisation of the Turkish auto industry. One of the first signs of increasing foreign penetration came from the Ford-Otosan partnership, where the Ford Motor Company's minority share in Otosan was replaced with the equally-owned 41% shares of Koç Holding and Ford in 1997 (Interview No.2, 2016). A similar development also rose in TOFAŞ-Fiat partnership, in which equity shares of both partners equalised, and the TOFAŞ plant became a "die producing factory" while Fiat took the upper hand in the responsibility for exporting the vehicles (Interview No.3, 2016).

A visible shift from minority to majority share also took place in heavy commercial vehicle producers such as MAN and Otomarsan, and passenger car producers such as Toyota-SA, Honda-Anadolu and Hyundai-Assan. The 33.3% share of MAN Nutzfahrzeuge in MAN A.S. increased to 81% in 1997 and to 99.9 % in 2002 (TEKELMAN, 2016). A similar development occurred in Otomarsan, where Mercedes-Benz increased its equity share from 36% in the early 1980s to 52% in 1989, and to 67% in the 2000s, leaving only a 15% equity share for three local partners. The increasing presence of foreign capital also manifested itself in third-party firms from Japan and Korea. In the Toyota-SA partnership, Sabancı Holding's 50% share in production was sold to its foreign partner Toyota in 2001, while its share and rights in imports and domestic distribution were later transferred to Toyota's partner ALJ Group in 2009 (Hürriyet, 2009). In the Honda-Anadolu partnership, Anadolu Holding sold off its shares to Honda in 2002 (Interview No.6, 2016). Likewise, the equal split of shares between Hyundai and Kibar Holding at the outset of the Hyundai-Assan partnership in the late 1990s gave way to the majority ownership of Hyundai with shares of 85% and 70% in 2010 and 2014, respectively (Interview No.6, 2016).

In this respect, the automotive industry in Turkey has made its way into global auto production by relying on the inflows of FDI and further penetration of transnationals into the industry structure. However, under the prevalence of FDI and the penetration of foreign capital, the structure of the industry, much in conformity with Brazil and Mexico, has been further denationalised and fragmented by too many leading transnationals. Given the uneasy relationship and lack of well-established channels between the state and local capital, an effective mechanism of coordination and cooperation between governments and auto industrialists has never been secured to balance the power of transnationals and promote a national-based development of the industry, as was the case in Korea.

Over the decades-long liberalisation process cemented by a series of financial crises and succeeding structural adjustments, transnational auto firms have increased their control not only over the industry but also over business associations. It has become difficult for business associations like the Automotive Manufacturers Association (OSD) to organise and voice the concerns of domestic industry vis-à-vis leading transnationals. The OSD was crippled by a rivalry between new entrants and some of old members who lobbied for regulating and limiting the issuance of licences to transnationals that manufacture vehicles domestically (Interviews, No.3-4-51, 2016). However, this has neither generated balance against transnationals nor given way to effective intervention of the state in the industrial structure to prevent the free play of TNCs by their own terms. Particularly, given the lack of selective targeting towards industry and firms, the state has not been able to restructure and rationalise the auto industry on the basis of ownership structure, number, size and performance of firms (Interviews, No.3-4-7, 2016).

7.3 Value Chains, New Form of Dependent Development and the Matter of Upgrading in the Turkish Auto industry

Given the lack of strategic and sector-specific auto-led industrialisation policies, the industry has faced a series of limitations in increasing returns to economies of scale and scope as well as developing its own endogenous capacity in high-technology and high-value added niches of global auto production (see Duruiz, 2004; Ölmezoğulları, 2011; Bürken, 2014). For two and a half decades, until the mid-2000s, diseconomies of scale were the normal state as overall the industry mostly worked at under 50% capacity utilisation (see Appendix 39). The failure of the state to regulate the over-crowded and -fragmented industry structure led to chronic problems of access capacity and limited the benefits of economies of scale. This in turn hindered the efficient and cost-reducing utilisation of available capacity, and delimited the possibility of technological upgrading for decades (Okur, 1994; Duruiz, 2004). Only in the last decade since the mid-2000 have assembly firms achieved ideal rates of capacity utilisation and scale economies at international standards, thanks to full integration of the industry into the global strategies and marketing networks of auto TNCs.

However, this has not automatically brought a process of increasing returns to economies of scale and learning-by-doing by local auto firms, and has not given way to the development of indigenous capacity in high-technology and high-value added

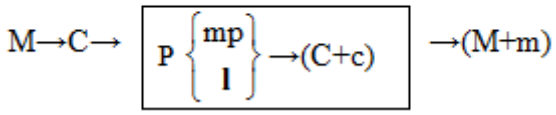
niches of global auto production. Rather, more in conformity with Latin American cases, the motor vehicle industry in Turkey has adopted a lower road of integration with global auto value chains, exhibiting the main characteristics of what we call new form of dependent development. Turkish auto assemblers have not truly developed capabilities in design and conceptualisation of products under their own brand names and marketing networks, which would allow them to emerge as leading automakers in their own right. As discussed in the theory chapter, Turkish auto assemblers have displayed limited achievements in expanding control over the entire circuits of accumulation along auto value chains, which in turn keeps them dependent on transnational auto firms in several respects ranging from having cutting-edge production technologies to developing product designs and concepts, from owning patents to accessibility to export markets. Hence, in compliance with their subordinated position, they have mostly specialised in lower value-added segments of global value chains, typically characterised by globally dispersed, routinized and relatively more competitive activities, mostly destitute of Schumpeterian entrepreneur rents or Marxian super profits.

Questionnaires and interviews (No.1-2-3-4-5-6-7, 2016) conducted with assembly firms revealed how this form of dependent development has been concretised through asymmetrical and hierarchically-structured value relations between local industrialists and leading TNCs. One of the most salient findings that should be noted in this respect is that the assembly industry in Turkey is indeed a heterogeneous mixture of firms, hence the nature of dependency relations should be explained by taking into account firm-specific factors such as ownership structure, nature of intra- and inter-firm relations between local partners and parent/licencing companies, as well as the global strategy of auto transnationals. As of today, there are 15 motor vehicle producers in Turkey (Appendix 40). Two of them (Türk Traktör and Hattat Tarım) are tractor manufacturers, and therefore beyond the scope of this study. Four of the remaining 13 manufacturers, namely Honda Türkiye, Toyota, Mercedes Benz Türk and Man Türkiye, operate as affiliates of transnationals in which parent companies exert single-handed control over decision-making and capital accumulation processes (Interviews, No-4-5, 2016). In this sense, as conceptualised in the theory chapter, these four manufacturers exhibit the characteristics of an enclave situation in which almost all the capital comes from outside the domestic production site, and the parent companies largely dominate

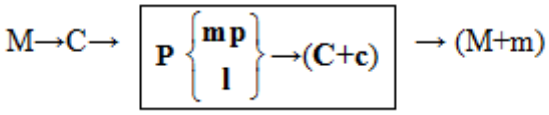
the realization of value by controlling M, C, and most of the P steps of the cycle of accumulation (see a in Figure 7.2).

Figure 7. 2 Enclave and Local Economy Situations in the Turkish Assembly Industry

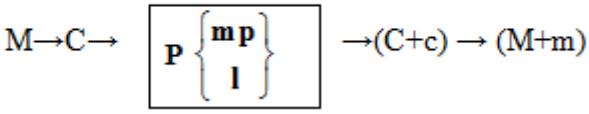
(a) Enclave economy situation



(b) Provisions of capital goods, production and technology



(c) Control over realization (sales, market and branding)



Key: **Bold** is a locally controlled part; the boxed areas take place domestically. M is money capital; C is commodity capital; P is production (mp: means of production and l: labour); C+c is new or transformed commodity with added value and M+m is money capital with new increment of value.

Source: Drawn by the author.

As discussed in the theory chapter, here in these manufacturers, the issue of managerial, organisational, technological and market dependency is prominent since all steps along the cycle are controlled externally, and therefore core business areas spanning from procurement, production planning, pricing to R&D, branding and marketing are conducted by parent companies. Since the involvement of local capital has very miniscule, if any, parent companies easily siphon away surplus value and externally condition potentials of accumulation processes within each producer.

In contrast to the enclave economy situation, in five assembly manufacturers (Ford-Otosan, TOFAŞ, OYAK-Renault, Anadolu-Isuzu and Hyundai-Assan) where the domestic bourgeoisie have a say on areas such as procurement, production planning, R&D and marketing, there is greater potential to expand local control over the entire circuits of accumulation and extract higher surplus or profit along value chains. Although the Turkish bourgeoisie as local partners of joint ventures enjoy a certain

degree of involvement in this situation, the issue of dependency still arises, since overall accumulation processes are externally conditioned by leading auto transnationals, given their control either over capital goods, management and technology or market, sales and branding (b and c in Figure 7.2). More specifically, the situation of dependency also exhibits firm-specific variations within this group of auto manufacturers, related both to the global strategies of leading transnationals, the scale of manufacturing operations and the bargaining power of local partners.

The questionnaires and interviews (No.6-7, 2016) reveal that the heavy dependence of local partner on the products, technology, brand names, patents and marketing skills of parent companies characterises the headquarter-subsidiary relations in the cases of Oyak-Renault and Hyundai Assan. In almost all business areas such as production line design, procurement, R&D, product pricing and marketing, parent companies hold strong decision-making authority over subsidiary operations compared to local partners (Interviews, No.6-7, 2016). In both cases, where local partners (Armed Forces Pension Fund in OYAK-Renault and Kibar Holding in Hyundai-Assan) have been weak and less effective, the possibility of moving into the high value-added (core-like) nodes of value chains seems restricted. In this regard, parent firms seem set on securing control over high profit margins along value chains by enforcing high entry barriers particularly through design, branding, patenting and marketing (Interviews, No.6-7, 2016).

Locked into the position of low-cost manufacturer at the backyard of Europe, Oyak-Renault and Hyundai-Assan partnerships have therefore achieved limited success in upgrading the activities of joint ventures beyond production. Interviews with high-ranking technical and managerial staff of these two firms confirmed this point. As the leading passenger car producer in terms of volume, Oyak-Renault has its own in-house R&D centre, but it is only tasked with upgrading production processes which involves improvements in quality, flexibility and cost performance. Thus, as the interviewee (No.7, 2016) confirmed, it does not generate as much profit or value-added as product (conception, design and product development) and functioning (branding, marketing) upgrading, as long as related competences are kept under the sway of the parent company. Likewise, the Hyundai-Assan partnership is even more limited to production operations, as its parent company has so far not allowed any local R&D activities although the local partner has many times asked to establish an in-house development centre (Interview, No.6, 2016).

On the other hand, the development of the TOFAŞ-Fiat, Ford-Otosan and Anadolu-Isuzu partnerships exhibit different characteristics vis-a-vis the above-cited cases given the stepwise upgrading of production and development capabilities to a certain extent. Particularly as the leading figure in the economy, Koç Holding seems to have actively developed more collaborative partnerships both with Fiat (TOFAŞ) and Ford (Otosan). As interviews (No.3-4, 2016) revealed, for many years, Fiat's main strategy was based on exploiting the advantages of low-cost production in Turkey through centralised decision-making and headquarter-subsidiary relations. Fiat initially showed little interest in establishing an in-house R&D department in Turkey. However, as Mr Nahum, former deputy chairman of TOFAŞ, stated in our interview (No.4, 2016), the local partner had to take this decision alone beyond Fiat's knowledge, outside of the joint venture. Later on, the local efforts of TOFAŞ received attention from the parent company especially when the Fiat Group adopted a sweeping internationalisation of its production and development capabilities in the aftermath of the very severe financial crisis it experienced in the early 2000s. Thus, the TOFAŞ-Fiat partnership has been involved in new development projects through its low-cost development centre in Bursa. Under the tight control of Fiat's R&D centre in Torino, TOFAŞ has been given increased though still bounded responsibility in new development projects such as the New Doblo project in 2009 and the New Tipo (Fiat Aegea) project in 2015.

Likewise, Otosan, Koç Holding's other partnership with Ford, was established as an important low-cost manufacturing base particularly for Ford's European operations. In early periods, Ford only authorised an in-house product development department, mainly tasked with problem-solving in production processes. However, as Koç Holding pressed ahead to increase the R&D capabilities of the joint venture benefiting from government R&D incentives, the parent company increasingly incorporated Ford-Otosan into its global R&D activities. As Mr Şenyener, R&D manager of Otosan, expressed in our interview (No.2, 2016), supported by state incentives, Koç Holding's local efforts coincided with Ford's global strategy to share risks and costs of product development with local partners As a result, the Ford-Otosan partnership has increased its participation even in the intellectual property rights of new vehicles and products, as in the Ecotorq project since 2003 or in Transit-van project in 2007 (Interview, No.2, 2016).

Thus, overall findings show that among joint ventures Koç Holding's partnerships with Fiat and Ford have more effectively taken advantage of the localisation strategies of their parent companies. Particularly, employing more than 1350 people, Ford-Otosan helds Turkey's biggest R&D organisation which stands as the biggest patent filler in the automotive industry, and the third biggest in any sector (Interview, No.2, 2016). Following Koç Holding's partnerships, another relatively successful joint venture is the Anadolu-Isuzu Group in which the local partner has a long history of involvement beyond production activities. In contrast to other East Asian automakers in Turkey (Toyota, Honda and Hyundai) which adopts a more centralised approach in decision-making and headquarter-subsidiary relations, the Anadolu-Isuzu partnership was given far greater responsibility not only in production processes, but also in activities such as product development, research and marketing (Interview, No.1, 2016).

Thus, as discussed in the theory chapter, having a degree of control over production and accumulation processes has enabled local automakers to have greater capabilities to upgrade beyond production and so expand their share in created value-added. Particularly, the presence of active local partners and government support played an important role in this respect, as stronger local partners have developed partnerships beyond production. However, this has not brought either unmediated access to high value-added activities or the end of dependency relations on the side of local bourgeoisie. As questionnaires and interviews (No.2-3-6-7, 2016) have revealed, with respect to strategic business areas such as patenting, branding and marketing, parents companies seem to have equal if not stronger influence on decision making vis-a-vis their local partners. Thus, despite the localisation of research and development activities to a certain extent, the parent companies continue to hold sway over the pace of technology transfer (Interviews, No.2-3-6-7, 2016). Particularly, this was bluntly pointed out by the R&D manager of the Ford-Otosan partnership as follows:

> When we develop our own engine, even if, say, the cargo label reads 'Ford', we own its property rights. But who are we anyway? We are a 50% partnered company, I mean. We are not an independent company named Otosan. Ford shares the intellectual property rights with us as long as it does not perceive this as giving it away to another competitor. This does not change the overall result anyway (Interview, No.2, 2016).

A similar tendency has also been observed in the field of marketing and export activities. Despite increasing involvement of local management in sales targets and policies regarding export markets, local partners still rely on marketing networks of

transnational automakers as joint ventures are bounded to their parent companies when they are to market their products. As confirmed by questionnaires and interviews (No, 2-3-6-7, 2016), parent companies are keen to have their voices heard in decisions regarding the number of vehicles that are to be produced and exported outside the country. In this sense, parent companies coordinate the marketing activities of each joint venture in favour of their group-wide performance on a global scale.

As a result, by holding sway over strategic business areas such as patenting, branding and marketing, parent companies secure their control over high-profit niches along auto value chains. In a sense, occupying the apex of value relations, they seek to take advantage of the involvement of local partners not only as low-cost producers but also as risk and cost sharers in R&D activities to a certain extent. On that note, we can safely state that local automakers have indeed reached a level of maturity in production, and moved into the position of co-designers to a certain extent. However, the nature of headquarters-subsidiary relations has, at the same time, re-produced a restricted and dependent sort of development, since the decision-making in core business areas is not free from the influence of leading transnationals.[77] In this sense, the deep-seated presence of auto transnationals has left limited room for further development of nationally-owned automobile manufacturers in Turkey. As interviews (No, 1-2-3-6-7., 2016) reveal, it seems difficult for local automakers to take over the decision-making authority in the highest value-adding activities in their own right and under their own brand name. Nor are state policies towards local automakers seem conducive to bring such an overall and stepwise upgrading into original design and brand manufacturing.

When it comes to state policies towards the industry, there is widespread dissatisfaction and mistrust on the part of auto industrialists in Turkey. Among 41 firms who responded to the questionnaire, 20 firms (almost 49%) were dissatisfied with government policies towards the industry. Only 5 out of 41 firms were satisfied or highly satisfied whereas the remaining 16 companies or 39% responded as partially satisfied. Looking closely into the reasons behind the widespread discontent, the surveyed firms particularly rated the role of the state as limited and less instrumental in areas such as providing sector-specific subsidies, investing in human capital, fostering cutting-edge innovations through R&D subsidization, and developing effective

[77] The findings in this study complement the contentions of earlier studies which claim that the joint venture-dominated structure of assembly industry has impeded the development of a full-blown auto industry in technological terms. See Ölmezoğulları (2011), Pamukçu and Sönmez (2011), Bürken (2014).

networks among firms and the state. Particularly, given the distrust and uneasy nature of relations between state and capital, the state has been unable to build a strong exchange relationship and R&D context with the sector and thus shape the auto industry along lines of domestic interests.

Indeed, there have been notable initiatives since the government introduced a new R&D incentives law in 2008, and has more recently appealed to local automakers to produce a domestic car under a national brand name. Most of the interviewees (No.1-2-3-4-7-13-14-15-18 etc.) confirmed that the new incentives have been beneficial to the private R&D efforts of local industrialists as well as attracting international R&D activities of leading transnationals. Benefiting from these incentives, several firms have established in-house R&D centres with the aim of acquiring the competencies required for higher value-added activities. However, even though some of these firms, mostly involving joint-ventures and a few domestic suppliers, have developed R&D capabilities in co-designing and product development, most R&D activities have been confined to areas such as achieving higher cost performance, and improving production processes or product quality, with relatively limited achievements in design and product development capabilities (Interviews, No.3-6-7-9-13-18-20-24, 2016).

This confirms the contention that the Turkish auto industry has remained stuck in what Bürken (2014) calls the "middle-technology trap" – that it has reached a level of maturity in manufacturing and in co-designing to some extent, but that it lacks the required policy space and technological sophistication to become a leading actor in its own right. This is also related to the recently heated debate that the absence of a national automobile brand has delimited policy space for moving into sophisticated R&D activities. Under the leadership of Recep Tayyip Erdoğan, the government has called on representatives of the industry to manufacture a national brand car. However, given the uneasy nature of state-capital relations and the infeasibility of the proposed model of national car, the government's initiative has not been embraced by any domestic automaker, and led to a collective project between the state and the business sector. Many interviewees were highly critical of the fact that the project has been conducted single-handedly by the TUBITAK (Turkey's national R&D agency) behind closed doors with no involvement from either domestic automakers or supplier firms.[78]

[78] Turkey bought the intellectual property rights of Sweden's troubled Saab 9-3 model and signed a license agreement with China's National Electric Vehicle Sweden (NEVS) to convert the model into an

One interviewee (No.7, 2016) who had participated in the earlier stages of the project articulated his concerns as follows;

> The state has not developed a shared and efficient platform with the automotive sector in the framework of the domestic car project. The state rather carries out the project behind closed doors working on a debatable model in terms of scale economies. I am of the opinion that a crucial mistake is done in this respect. Because the most important priority for car manufacturing is competence. If this project is not carried out with key industry firms that have long years of experience, and the personnel thereof, it will be difficult to develop a low-cost vehicle that could become a global brand.

Overall, the auto industry in Turkey has remained locked in a lower-road of auto-led development in which the industry has extended its share in global production by building up its competencies in the fields of manufacturing, cost performance, production quality and co-designing. Yet, it lacks the indigenous dynamics to shift from production and co-designing activities to core competences such as overall product conception, branding and marketing. In this sense, the Turkish auto industry is placed at the periphery of global auto value relations, relying on its low cost advantage in production as well as R&D which leaves little room for national-owned market leaders. Thus, nationally-owned firms have only managed to grow in specific segments, left by leading automakers.

A typical example in this respect is bus bodywork manufacturing, which offers greater chance for own-brand production. As manufacturers I interviewed indicate, the lower technology and scale requirements and higher labour intensity of bus body manufacturing have left greater room for the presence of local brands in emerging countries like Turkey (Interview, No.1-4-5, 2016). In comparison to other vehicle types, bus production is the most mature sector, combining the lowest technology/automation levels and smallest volume of production with the highest level of labour intensity. In bus manufacturing, conveyor belt and robot technology are out of question and production is mostly carried out by hand-power using multifunctional or single function machines. Thus, bus manufacturing does not require high volumes of production or mass production techniques as other vehicles types. Rather, it relies on labour power, as it is 70 and 20 times more labour intensive than passenger car and truck production, respectively (Interview, No.5, 2016).

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extended-range electrical car. However, the long-awaited national car of Turkey has not yet been unveiled and seems to be years away from reaching the markets.

The lower entry barriers and lack of interest of auto transnationals in this segment has let domestically-owned firms such as TEMSA, OTOKAR, Karsan and Guleryuz establish a market presence beyond Turkey. Particularly since the late 2000s, these locally-owned bus assemblers have got into markets outside Turkey under their own brand names (Interviews, No.4-5, 2016). As our interviews with bus manufacturers revealed, this has enabled them to build their own value chains, albeit modest in scale, and therefore has meant higher value-added on the account of local industrialists (Interviews, No.4-5, 2016). However, despite this relative success, volume of production for each bus assembler is still far behind the output level needed to be among leading bus and truck manufacturers on a global scale. More importantly, these local firms are indirectly dependent on transnational bus and truck producers such as Daimler-Benz, Scania Volvo and MAN, since core and high value-added parts such as engine chassis and axis are imported from them.

In a sense, as one interviewee indicated (No.4, 2016), the leading bus and truck transnationals act as indirect partners of local bus bodywork manufacturers and provide engines, chassis and axis, as long as local bus manufacturers in emerging countries do not run against their global interests. Put another way, while the field of bus bodywork manufacturing has been left to dozens of local producers in emerging countries, the leading transnationals produce complete buses as well as core sub-systems such as engines, chassis and axis as formerly established high-volume producers.[79] Thus, occupying a relatively neglected niche, locally-owned bus manufacturers operate in pre-determined profit margins and lower-value added segments which involve less R&D and more labour intensity. According to the findings gathered from interviews (No.4-5, 2016), locally-owned bus manufacturers are confined to interior and trailer manufacturing, whereas production of core parts such as engines, chassis, axis and transmissions, which accounts for 60 to 70% of the total cost, is procured from leading transnationals. Indeed, this signifies the assembly-like and dependent character of local bus production and its weak capacity in terms of value creation. Today, none of these locally-owned manufacturers has reached the output volumes suitable to venturing into these core segments of bus production, which require large production scales and high R&D capability. Thus, as in other types of vehicle production, the lower-road of

[79] Likewise, Brazil has many locally-owned bus bodywork manufacturers such as Marcapolo, Caio/Induscar, Neobus, Comil, Mascarello, Busscar, Irizar and Metalbus most of which cluster in the Souther part of the country. For more info see Cavalcante and Arujo (2013).

integration of the bus assembly sector with the global auto industry exhibits the characteristics of a new form of dependent development, as it generates an expanded share of manufacturing exports but a disproportionally lower share of globally created value-added.

The formation of the assembly industry along these lines has also been accompanied by a series of auxiliary symptoms of dependent development with respect to the supplier industry. The development and performance of locally-owned auto suppliers is strongly tied to the strategies of the assembly industry operating within Turkey. Interviews (No.3-7-14-18-20-25-29-35, 2016) with numerous assembly and supplier firms confirmed that the lack of genuinely indigenous automakers has in turn delimited the room for local control over decision-making in the area of procurement. As discussed earlier, the full integration of the Turkish auto industry into the global strategies and asymmetrical value relations of leading automakers has led to shuffling and segmentation of the supplier sector since the late 1990s. One of the most notable feature of this segmented industry structure has been the rise of follow-up investments of global supplier firms in the form of foreign-owned subsidiaries, joint ventures and acquisition of domestic firms.

As interviews (No.12-15-17-18-19-21-22-30-35, 2016) revealed, occupying the apex of the auto parts/components industry, these firms are mostly treated as preferred suppliers and potential co-designers, given their financial and technological capabilities and their close relations with transnational automakers on the global scale. Mostly functioning as full-service suppliers, these firms tend to carry out designing and co-designing of modules and systems preferably in their own countries, and supply them to leading transnationals through globally dispersed production facilities (Interviews, No.10-12-14-17-19). Since local vehicle design in Turkey is rare, apart from some cases of commercial vehicles, the diffusion of co-designing and product-development capabilities to the local suppliers seems to remain relatively limited compared to global auto components/parts firms. Nevertheless, this is not to say that local suppliers are excluded from designing and product development stages, but among the first-tier suppliers, the success stories of majority domestic-owned companies are limited in number for overall upgrading in global auto supply chains.

As revealed by the fieldwork (Interviews, No.8-9-16-18-20-43-46, 2016) and earlier studies (Eskiyenentürk, 2006; Özatağan, 2011a and 2011b), some of these success

stories include Aktas in air suspension systems, Ege Endustri in axles, Farba in automotive lighting, CMS in wheels, Tırsan in trailer manufacturing, Teknorot in ball joints and steering tie rods, Coşkunöz in metal forming, Orhan in gearshift mechanism, Cevher and Erkunt in cast engine parts, and Ortadoğu in ball bearings. These suppliers have gained a foothold in co-designing and product development competences to a certain extent, given the willingness of transnational automakers to relinquish some of these functions to develop their core competencies. However, despite the diffusion of competencies to locally-owned suppliers, few of them have truly established less asymmetrical and dependent relations with automakers, since their upgrading paths have not yet moved into stages which would allow them to emerge as leading global suppliers.[80]

Putting the limited number of success stories aside, the domestic supplier industry in Turkey presents a less promising picture when one counts in lower tiers of suppliers. The vast majority of domestic suppliers have been even deprived of the above-cited competencies required for co-designing and product-development tasks. The findings gathered from the fieldwork (Interviews, No.15-20-22-24-29-31-32-39-50, 2016) rather demonstrated that the vast majority of supplier have been locked into low-end production and cut-throat competition which by its nature involves highly asymmetrical and captive value relations. Having limited financial and technical capabilities, these suppliers mainly carry out specific tasks such as following detailed blueprints and instructions imposed by their customers and meeting the cost, flexibility and quality of required parts. Although some of them conduct in-house R&D activities, most of these activities have remained in process optimization, elimination of technical problems and reverse engineering of competitor products. Instances of upgrading beyond production have been rare among these suppliers, dooming the majority of them to downstream and low value-added segments of production such as component-supply and original equipment manufacturing.

Thus, all these observations imply an auxiliary symptom of dependent development that the development of the auto industry along the above lines generated a disarticulated industry structure that fails to create fully-developed intra-/inter-industry linkages or the traditional multiplier effect with respect to the domestic economy. Rather, interviews

[80] According to PwC's (Automotive News, 2015) study, no majority domestic-owned auto component firm in Turkey has managed to rank in the top 100 global auto suppliers whereas Brazil and Mexico have only one firm each, ranking 77 and 51 respectively.

(No.3-7-20-44-49, 2016) and earlier studies (Eskiyenentürk, 2006; Gülşen, 2007) indicate that export growth in the auto industry has not only insufficiently fed back into the domestic economy, but also fostered the chronic problem of low value-added creation and a trade deficit, particularly in intermediate auto parts. Largely benefiting from low labour and production costs, domestic suppliers have specialised not only in low value-added segments of global value relations, but also in the production of certain products which involve more labour-intensive manufacturing processes such as cast engine parts, plastic parts, aluminium and steel wheels, seats, pistons, liners and tires (Interviews, No.13-24-30-43-45-51, 2016). Hence, this raises the question of value capturing in Turkish auto industry as a significant portion of high value-added components such as complex electrical systems, safety components, transmissions, gear boxes and engines are mostly procured from leading global suppliers.

7.4 Value Chains, Dependency and the Question of Labour in the Turkish Auto Industry

Last but not least, the formation of the motor vehicle industry along these lines has further implications with respect to the salaried and labouring classes. As firms in auto industry have mostly integrated with global production at the lower end of value relations, mainly as subsidiaries, subcontractors and suppliers of leading transnationals, the industry is subjected to fierce cost-down pressure and cut-throat completion, which means low profit volumes and modest, if any, entrepreneurial rents or super-profits. As discussed in earlier chapters, this has in turn translated into a ruinous regime of labour control, marked by a combination of high rates of absolute value extraction (low-wages and long working hours) with increased, albeit limited, productivity and relative surplus value in industrial relations.

Indeed, this form of labour exploitation started to emerge during the 1980s and 1990s, when the industry underwent a process of restructuring of export-oriented production, but it has increasingly concretised in the post-2001 period with the full integration of the Turkish motor industry into transnational networks of global trade and production. Early steps in this direction were taken in the post-1980 period with harsh repression of the social economic and political rights of labour. Prior to the 1980s, Maden-Is, a member trade union of DİSK (Confederation of Revolutionary Labor Unions) had been historically well-organised in the auto industry, defending workers' rights against MESS (the Turkish Employers' Association of Metal Industries) on the basis of

effective class unionism (Taştan, 2015). Following the military coup of 1980, the labour activism of DİSK and its member trade unions was banned for about one and half decade until the mid-1990s. Throughout this period, workers in the metal and auto industries were either deunionised or forced to become members of Türk Metal, a right-wing, pro-employer union which would become the major and most influential labour association in the metal and automotive industries with the support of MESS and the state (Taştan, 2015).

Under the guidance of the state, MESS and Türk Metal have pursued a 35-year-old system of iron discipline on auto workers, marked by a 'tamed' unionism and a caricature of social dialogue. Since then, the established model of industrial relations has significantly weakened the power of organised labour and replaced it with pseudo-trade unionism. Accordingly, overall union density has dropped from 20-25% in the late 1980s and early 1990s to 11% in 2015, yet the de facto situation is even worse, around 6% (see, Chapter 5). As for the automotive industry, there is no exact data, but in the metal industry overall where the auto sector has the overwhelming share, union density is around 16% (Çelik, 2015, p.25). However, despite the relatively high union density, an ineffective centralised and oligarchical unionism has predominated the industry up until today.

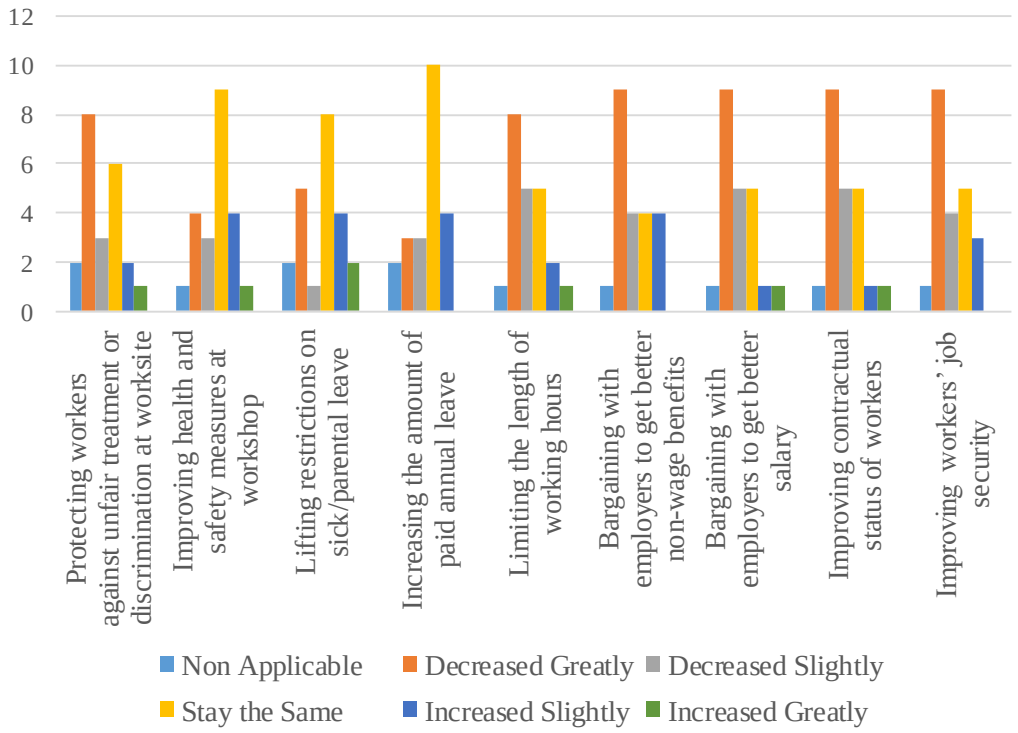
In this respect, the requirements for 50% of workers at the work-place and the 10% sectoral threshold have particularly placed serious restrictions on the impact of unions and undermined union democracy (Interviews, No.53-55-58-65, 2016).[81] Many independent unions that could not pass the threshold have not been entitled to take part in collective bargaining agreements (CBAs) with the MESS. As of late 2015, there are roughly 230.000 unionised workers in the metal industry, but almost 30% of them are out of the coverage of CBAs due to the complexity of the CBAs competency system (Çelik, 2015, p.26). Within the industry, only three trade unions, namely Türk Metal, Birleşik Metal and Çelik-İş, have been part of CBAs, but these trade unions never share a common perspective or voice. Accounting for almost 73% of unionised workers, Türk

[81] On the company level, one of the main handicaps of industrial relations is the 50% threshold for collective bargaining. Since more pro-labour unions such as Birleşik-Metal-Is and TOMIS do not meet the 50% threshold in many workplaces, employers mostly ignore or block the efforts and demands of their members. During fieldwork, this was particularly expressed by members of these unions (Interviews, No.53-55-65, 2016). I also had the chance to speak with the labour union leaders of Birleşik-Metal-is and TOMIS. They stated that the 50% threshold makes it difficult to organise at the company level, as there is a clear benefit for workers of being a member of the dominant union, despite its pro-employer stance.

Metal concludes CBAs with MESS without getting the consent or active involvement of the other unions, particularly Birleşik Metal which adopts a more pro-labour stance as a successor of the decades-long banned Maden-İş (Interviews, No.53-66-67, 2016). Being reluctant to cooperate with other unions, Türk Metal concludes CBAs with MESS on the basis of pro-employer, bread-and-butter unionism, and then MESS imposes it on unionised workers.

In this sense, auto workers have been victimised under the anti-democratic and pro-employer labour relations model, spanning over three-and-a-half decades up to the present. As Çelik (2015) argues, instead of defending and improving workers' rights, trade unions have served as a "panopticon" prison that provides additional control mechanisms on labour. Likewise, the findings gleaned from our own labour-level interviews (2016) suggested that there is disconnection and weak ties between trade unions and labourers in auto industry. Our quantitative data shows that among auto workers who responded to the questionnaires (2016), only 21% of respondents see trade unions as favourable (3%) or somewhat favourable (18%), whereas the remaining 79% see trade unions as neutral (14%), unfavourable (37%) or very unfavourable (28%). Particularly, many auto workers that we interviewed complained about a lack of shop steward election systems, the symbolic election of delegates, pro-employer and passive unionism, and disregard of the voice of labour during CBA processes (Interviews, No.53-56-58-60-62-65-66, etc., 2016). Again, the overwhelming majority of workers interviewed see trade unions as largely ineffective as their role and power has greatly decreased, particularly in the areas of bargaining with employers for better salaries, improving job security and contractual status of workers, and limiting the length and intensity of work (Figure 7.3).

Figure 7. 3 Change in the Role and Power of Trade Unions in the Turkish Automotive Sector since the Early 2000s



Source: Questionnaire Surveys (2016)

Thus, this decades-long labour relations model has in a sense created a buffer zone for labour militancy and significantly undermined the bargaining power of workers in the automotive industry. Ongoing de-unionisation and symbolic syndicalism has been accompanied by intensified repression and exploitation of the labouring classes as an easy way to achieve cost advantages and competitiveness in global markets. As confirmed by some of the assembly and supplier firms interviewed, cheap and docile labour constitutes the main basis of international competitiveness in the Turkish auto industry, and thus has been mostly used as an excuse against workers' demands for wage increases (Interviews, No.3-7-12-20-23-29, 2016). Over the two decades preceding the early 2000s, achieving cost-advantages through absolute surplus value extraction (by cutting down wages and lengthening the working hours) was the main characteristic of auto-led development in Turkey. As numerous studies (Boratav, Yeldan and Köse, 2001; Yeldan, 2007) demonstrate, in contrast to the ISI-period, a trend of massive decline in real wages in the auto sector along with other manufacturing

industries, had been the essential strategy to reduce the production costs. Thus, the control over labour was predominantly established in domain of distribution.

However, since the early 2000s, the nature of exploitation in the auto industry started to change, as control over labour has not only remained in the domain of distribution but also shifted to the domain of production/reproduction to a certain degree. With the consolidation of this new form of dependent development, the extraction of relative surplus value has gradually come to co-exist with absolute surplus value and traditional forms of labour exploitation. This has become particularly evident in the last fifteen years, during which the auto industry has increased its industrialisation coefficient and undergone a process of restructuring in productive terms to align itself with global dynamics of production and trade. The full integration of the auto industry into global value relations also meant an increasing share of relative surplus extraction, as it has required high levels of mechanisation and technicalization in production, reorganisation of production processes, and reduction in the socially necessary amount of labour. Nevertheless, this has not brought a downright replacement of absolute surplus value and archaic forms of labour exploitation, as mainly observed in core-like economies where extraction of relative surplus value overpowers as a dominant form of exploitation. Rather, it has brought a monstrous and impoverishing economic development which intensified the social and economic exclusion of auto workers from the overall growth process.

The evidence reveals that the burdens of auto-led industrialisation and productivity growth fell disproportionately on the labouring classes, as surplus transfer from wage-labour to capitalist classes intensified over the period in question. As many studies (Taymaz and Yilmaz, 2008; Yükseler and Türkan, 2008) demonstrate, contrary to preceding decades, the fluctuating course of labour productivity in the auto industry has been replaced with a stable upward trend since 2001, thanks to the dynamic of technology deployment and increasingly flexible management of labour. Until the late 2000s, whereas labour productivity in the auto industry increased by 10.5% on average per year, wages per hour declined by 2.8% in real terms (Yükseler and Türkan, 2008). To put it more explicitly, this suggests what we call the low road phenomenon, defined by technological progress in production and improvement of productivity at the expense of wages and overall working conditions.

Thus, the post-2001 period represents both continuity and change in terms of the nature of labour exploitation. Built on a productive structure that is already based on extending working hours and reducing labour costs, technological progress has sparked capitalist intensification of the rhythm of the worker's labour and thus productivity, but simultaneously sustained the tendency to remunerate labour at a lower rate than its real value. Likewise, our labour-level fieldwork confirms that auto workers have not received respective improvements in their wages and working conditions along with process upgrading and productivity increases over the last one-and-a-half decades.

Poor wages, along with long working hours, job insecurity, pace and intensity of work, and lack of collective bargaining come to the fore as most pressing problems for the Turkish auto workers. As our questionnaires (2016) revealed, over the last one-and-half decades, auto workers have been subjected to increasing workloads (81.5%), higher work pace (89.9%) and tighter deadlines (89.9%) along with stronger shop floor control and work organisation (67.4%) and new machines and higher automation (77.8%). This has meant increasing labour productivity and thus the creation and appropriation of relative surplus value. However, the improvements in productivity are not reflected in wages and working conditions, given the widespread discontent with overall changes in working conditions over the period in question.

The low-wage policy and cutting of labour costs in particular has included widespread dissatisfaction (81.5%) among auto workers that we interviewed. Despite its cost-disadvantages vis-à-vis other developing countries such as India, China and Mexico, Turkey has come to the forefront as a low-wage heaven and excellent auto-export port for marketing and sales in European countries. With average net monthly wages of less than 550 euros, wages in the auto industry are not only far below European standards; they also rank 30% lower than other sectors in Turkey such as glass, petro-chemicals and medicine (Çelik, 2015, p.32; Korkmaz, 2015, p.4). This shows that remunerating labour power below its value through wage freezing and squeezing (in real terms) has continued to co-exist with increasing labour productivity and the rise of relative surplus value to the extent that the later never managed to negate the former.

Moreover, our fieldwork (Interviews, No.60-65-66-72, 2016) also revealed that surplus extraction not only materialises through formal labour relations, but also through extraction of value from informal underpaid/unpaid labour force. Particularly in medium- and small-scale workshops, I found anecdotal evidence that underpaid

informal and refugee (mostly Syrians) workers have also involved in auto production, providing cheaper inputs and thus hidden surplus value to auto firms higher in value chains. These workers are a free source of input for auto capitalists, since they are externalised from calculations of production costs. Thus, auto capitalists are able to drain hidden surplus from them since they are mainly paid below subsistence wages and are not covered by social security benefits. Anecdotal evidence also suggests that apart from employing underpaid informal and migrant workers, particularly medium- and small-scale employers in auto industry sometimes do not make overtime payments, due to a lack of clear-cut contractual status defining work relationships and overtime payments on the shop floor.

Along with wage squeezing and wage cutting practices, long working hours have continued to be one of the main pillars of surplus value extraction in the Turkish auto industry. As the earlier study of Yükseler and Türkan (2008) revealed, the index of hours worked in auto production increased by 12.7% on average per year between 2001 and 2008. According to our questionnaires (2016), long working hours are the main source of complaint among auto worker, having around 73% of respondents. Again, as the questionnaires (2016) reveal, since the early 2000s, only 22.2% of respondents received a decrease or slight decrease in average weekly working time, while the rest experienced no change or an increase in varying levels. Particularly, the upward trend in working hours became more evident after the new labour regulations in 2003 which gave employers the flexibility to regulate working hours and slippage at their discretion, to a maximum of 11 hours a day (see Chapter 5). Hence Turkey has become the country with the longest average weekly working hours among OECD countries, followed by Mexico.

Consequently, the consolidation of this new form of dependent development in the Turkish auto industry over the last one-and-a-half decades has translated into a new wave of hostility against labouring classes that manifested itself as extraction of absolute surplus value in a more disciplined way along with productivity increases. At the very bottom of value chains, such a form of labour exploitation has, in turn, found its expression in long and extraordinary working hours, falling real wages, underpaid/unpaid labour, and thus the growing exclusion of labourers from the auto-led growth and productivity rises in Turkey. Nevertheless, as discussed in the theory chapter, workers are not a passive source of surplus drain and victims of labour process,

but a critical agency of change and social and economic upgrading along value chains. In this respect, unexpected, spontaneous wave of “wildcat” strikes and protests in May and June 2015, just 20 days before the general election, can be seen as the beginning of the end of this monstrous model of labour relations in the Turkish auto industry. Over 20.000 auto workers initiated spontaneous strikes and protests directly targeting the employers’ association (MESS) and the labour union (Türk Metal) as the architects of formal mechanisms of industrial relations (Korkmaz, 2015, p.3). Allying with auto industrialists, the government prohibited strikes and protests on the ground of national security. Some workers achieved partial gains in the form of annual pay bonuses and premiums, which does not mean overall social and economic upgrading along auto value chains. However, it is fair to say that despite its relatively limited achievements, the wave of strikes has already shaken the foundations of the mode of labour process in the Turkish auto industry, foreshadowing its unsustainability over the long term.

7.5 Conclusion

Complementing our industry-level analysis, this chapter has explored and discussed the far-reaching transformation that Turkish automotive industry has undergone since the early 1980s onwards. In so doing, the chapter has inquired about the ways in which the asymmetrical integration of the Turkish auto industry with global value chains – through a particular pattern of accumulation, and a configuration of class forces and state-society relations – generated a new form of dependent and exploitative auto-led development. On that note, the chapter has argued that much more in conformity with Latin American cases of Brazil and Mexico, the class dynamics and make-up of ruling coalitions in post-1980 Turkey have not allowed to the secure necessary social consensus and institutional setting to design and implement successful, long-term auto-led industrialisation. Rather, given the milieu of increasing fragmentation, particularly within domestic capital and the absence of coordination between state and industry, Turkey has remained limited in successfully solving Kaldorian collective action problems, which mainly refers to increasing the returns to scale, learning-by-doing, investing in design, conception, innovation and thus creating and capturing higher value-added along auto value chains.

It has been further suggested that given a series of factors such as the structure of the industry, the role of foreign capital, and the management style and business strategies of auto firms, the motor vehicle industry in Turkey has adopted a lower-road of integration

with global auto production, exhibiting the main characteristics of the new era of dependent development. Much like its Latin American counterparts, despite recent success in production, cost-efficiency and a certain degree of R&D competencies, the motor vehicle industry in Turkey has not developed truly indigenous capabilities in design, conceptualisation and manufacture of products under their own brand names and marketing networks, which would allow them to emerge as leading automakers in their own right. As discussed throughout the chapter, auto firms in Turkey have displayed relatively limited achievements in these respects and in terms of expanding their control over the entire circuits of accumulation along global value chains, which in turn keep them dependent on transnational auto firms in a number respects, ranging from having cutting-edge production technologies to developing product designs and concepts, from owning patents, to accessibility to export markets.

In compliance with its subordinated position, the Turkish motor vehicle industry has mostly specialised in lower value-added (periphery-like) segments of global value chains and remained limited in generating higher profits or value-added through product (conception, design and product development) and functioning (branding, marketing) upgrading. Hence motor vehicle production is characterised by globally dispersed, routinized and relatively more competitive activities, destitute of what we call Schumpeterian entrepreneur profits or Marxian super profits. Last but not least, the transformation of the motor vehicle industry along these lines has further implications with respect to the salaried and labouring classes in Turkey. The rise and consolidation of a new form of dependent development in the industry has translated into impoverishing auto-led industrialisation and a ruinous regime of labour control, characterised by a combination of high rates of absolute value extraction with increased, albeit relatively limited, productivity and relative surplus value in industrial relations. At the very bottom of value chains, this monstrous regime of labour control has found its expression in deunionization, lack of collective bargaining, long and extraordinary working hours, falling real wages, underpaid/unpaid labour, and thus the growing exclusion of labourers from the auto-led growth and productivity rises.

CHAPTER 8

Conclusion: Globalisation, Dependency and the Limits of Capitalist Development in the Global South

In the last thirty to thirty-five years of the recent wave of globalisation, the world political-economic scene has undergone a far-reaching transformation, associated with expanding networks of global production and the rise of new economic powers and 'catch-up states' in the global south. There is broad agreement that the economic centre of gravity has been moving from the erstwhile advanced economies of North America and Europe to the emerging countries of the east and south. Along with the increasing share of higher value-added manufacturing now taking place in emerging countries, the recent shifts in economic power once again gives weight to arguments that we currently live in a world of convergence, which has already made ideas of dependency and peripherality irrelevant as conceptual foundations of development studies. The notions of subordination, dependency and peripherality have been superseded by a dominating discourse of globalisation, convergence and interdependencies as the overarching explanatory framework, commonly parroted on both sides of the political spectrum. Thus, in the fields of development studies and IPE, it is now commonplace to claim that the world economic hierarchy has long been in a process of flattening, making analyses of dependency old-fashioned and ill-suited to addressing the current dynamics and contradictions of development in the global south.

This study has challenged these arguments in a number of ways, by seeking clarifications of these new processes, and by rethinking what dependency and development means in the contemporary era of globalisation. Chapter two, on the theoretical level, charted a critical review of the dependency school, not only to tease out the complex roots and variety of analyses it involves, but also to explore its contemporary relevance and analytical value. What emerged from this chapter was that the dependency approach is indeed gravely flawed, particularly by virtue of the attempts of some of its practitioners who convert it into an ahistorical, fully-fledged and formal theory, which conceives underdevelopment as a permanent situation, since peripheral

countries remain structurally subordinate and dependent in the capitalist world economy. The reactions to and criticisms of such a conception of dependency and development are understandably severe and devastating, as it largely contradicts the current dynamics of today's global economy and the development that has taken place in a wide range of countries in the global south.

It has been suggested that, as inherently lodged with the ontological and epistemological limitedness of neo-Marxist theories of underdevelopment and world system research, the conventional theorisation of dependency tends to be dismissive of the dynamics of today's global economy and the possibilities of capitalist development in the south. On the other hand, it has also been argued that many of the criticisms levelled against the dependency tradition are sweeping and overgeneralised, and have ignored its more erudite versions, contemporary relevance and employable analytical values. Notwithstanding the theoretical flaws and explanatory weaknesses surrounding orthodox dependency theory, not all strands of the dependency tradition contradict the workings of today's world economy or the recent developments that have taken place in the global south. Conceptualisation of dependency and development as elaborated by historical-structural dependency analyses still maintains validity, and when wisely applied to the new conditions of today's world, offers a basilar IPE framework in which to address the limits and prospects of capitalist development in today's global south.

In contrast to the stagnationist, totalising and mechanico-formal assumptions of conventional dependency thinking, historical-structural dependency analyses recognise that being contingent on a set of factors, namely configurations of domestic class forces, the capacity of state institutions and distinct modes of integration with the global economy, capitalist development has occurred and is likely to continue occur even within contexts of overall dependency. In this regard, the historical-structural methodology conceives dependency less as a universal, static and ahistorical phenomenon producing automatic backwardness in the periphery, and more as a concept drawn on to address the changing prospects and limits of late capitalist development, predicated upon a close interplay of foreign capital, states and domestic classes over time. Thus, the real value of historical-structural dependency analysis comes from its potential to generate plausible new propositions regarding the changing situations of dependency and development in today's global world.

If historical-structural dependency analyses maintain a degree of validity and heuristic value, then, how has the current order of global economic relations shaped the prospects and limits of capitalist development in today's global south, and created new forms of subordination, hierarchy and dependent development? In Chapter Three, this study addressed this widely neglected question and offered a response by critically drawing on a set of conceptual insights derived from the Schumpeterian theory of innovation, Global Value Chain analyses and a class-relational articulation of the developmental state.

The general impression derived from the discussions throughout Chapter Three is that the emergence of global production networks and the meteoric growth of manufacturing in the global south has in many ways reordered the world economic hierarchy, and rendered the territorially-bounded and structurally-determined rationale of core-periphery relations less relevant, at least in terms of its traditional formulation based on the locations of manufacturing capabilities. Today, via the dissemination of technological and industrial development, a handful of emerging economies in the south have made huge progress in diversifying and upgrading their manufacturing exports, to the extent that they have become major producers of complex manufacturing goods at considerable levels of sophistication. The complex nature of global manufacturing has transformed peripheral spaces in the south (whether scaled as nation-state, region or city), so that they have now become fully integrated into the global economy and appear to operate like new growth centres in their own right.

Seen in this way, it could be argued that the recent transformation in the global south undermines arguments associated with ideas of lagging, subordination and dependency. However, as discussed in Chapter Three, this is not necessarily the case. The current constellation of economic power has not lead to a real convergence with the developed world nor the disappearance of dependency relations, as many have been keen to argue, but has given rise to new forms of subordination, hierarchy and dependency along global networks of production and trade. In many ways, current debates over global convergence and the end of dependency hinge on the story of the rise of manufacturing in parts of today's south. Those who suggest that the rising south is closing the gap with the developed world implicitly or explicitly conflate industrialisation and economic growth with development, and give insubstantial attention to the question of industrial sophistication and the value created by countries in the global south.

By critically engaging with Schumpeter's theory of innovation, this study has rather argued that while we can talk about a widespread convergence in levels of industrialisation between the developed world and developing countries, this has not overcome the spatial unevenness of capital accumulation, particularly in dimensions such as technology, innovation and type of value creation. Rather, as discussed in Chapter Three, the current constellation of the world economic order is driven by a process of creative destruction, in which high-profit and low-profit manufacturing activities have clustered not only in time but also in space, leading to reproduction of spatial disparities and reconfiguration of core-periphery relations. Driven by capitalist competition and the ongoing search for above-average surplus profit, leading TNCs consistently revolutionise the global economic structure through the introduction of innovations, whether in the form of new products, new production methods, new forms of organisation, or new routes of trade and marketing. Technological and industrial innovations generate a wave of cutting-edge sectors and manufacturing activities clustered in time, rewarding leading firms with exorbitant rates of profits.

However, as a spatially structured process, the introduction of profit-oriented innovations also tends to come into being in certain zones of predominating prosperity, mostly in developed economies, due to a number of factors, e.g.: higher incomes generate greater demand and larger market potentials; higher production costs put pressures on entrepreneurs for technical innovation; greater credit capabilities facilitates the financing of innovations; and innovations are difficult to copy. Thus, when it comes to assessing the rise of industrialisation in the global south, the question be asked is to what extent the rising economies of the south have been able to generate the Schumpeterian type of entrepreneurial economic rents or above average surplus profits. Contemporary evidence from today's global south rather reveals that only a few NICs have succeeded in generating this type of economic rents or becoming 'central' in introducing profit-oriented innovations and reaching per capita incomes close to those of developed countries. This is the case of the first generation of NICs in East Asia, particularly the most conspicuous examples of South Korea and Taiwan. Nevertheless, despite the upward mobility of these countries, there is a larger group of emerging economies which remain behind the curve in these respects. Seen in this way, despite the monumental changes and variation, the polarising tendency of the capitalist world

economy is still at work and continues to reproduce socio-spatial disparities. This is one of the premier issues informing the notion of peripherality today.

If peripherality remains relevant in this precise understanding of the transmutation of socio-spatial disparities and lagging, then how and in what ways has this altered the dynamics of subordination and dependency in today's global south? An examination of the qualitative nature of industrialisation and the export profiles of emerging countries in the global south provides an illustrative pathway to capture the changing dynamics of subordination and dependency. As discussed in Chapter Three, the expansion of manufacturing exports in the global south has been mainly driven by the global strategies of leading TNCs and heavily based on integration into global chains of production. A close examination of foreign-led industrialisation demonstrates that, compared to the erstwhile advanced economies, the production sector in emerging countries has usually developed in less sophisticated forms, characteristically lacking full control over accumulation and value creation processes along hierarchically structured global value chains. Since the process of capital accumulation in local industries is in one way or another embedded into the broader circuits of capital accumulation of leading TNCs, production structures in most emerging countries are locked in relatively subordinate and dependent positions.

This is particularly reflected in the type of goods manufactured and the value-added nature of manufacturing activities in these countries. Having relatively limited control over the downstream and upstream activities of the value chains, such as product conception, design, marketing and network retailing, the majority of emerging countries have heavily relied on leading transnationals in terms of accessibility to cutting-edge technologies, patents, markets and global entrepreneur skills, and have mainly remained stuck at lower value-added export activities such as in-bond assembly operations, component-supply subcontracting and original equipment manufacturing. Thus, even if much of the south has increased the volume of manufactured exports and diversified the range of goods they produce, leading transnationals still exert control over the entire accumulation process, and reserve for themselves the key dimensions of value chains, with high barriers to entry, high start-up and running costs, and high levels of technological and entrepreneurial skills. In a world where bargaining power rests on who needs whom most, the industries in emerging economies are re-locked in relatively subordinate and dependent positions, largely determined by intense competition, low

cost prices, high production volumes, and a disproportionally low share of globally created value-added, which also means low wages and a ruinous regime of control for the labouring classes at the bottom of value relations.

Nevertheless, saying that many emerging countries are re-locked in a subordinate and dependent position within global networks of production and trade does not mean that the state of dependency is immutably fixed, generating similar results across the global periphery as a whole. Rather, given the simultaneous possibility of both captive alliance and robust bargaining, neither the dominance of leading transnationals nor the subordination of local industries is taken for granted, but being subject to change over time from country to country or from industry to industry. This study's comparative look at Latin American and North-East Asian experiences reveals that significant dissimilarities exist in local responses and respective positions of emerging economies within global networks of production and trade. In contrast to the paradigmatic cases of Latin America, the East Asian NICs, particularly South Korea, have made huge strides in sophisticating their industrial structure and securing greater control over the entire circuit of accumulation along global value chains. Despite being subordinated and dependent in earlier stages, they today occupy a distinctive position within global divisions of labour, with greater capabilities in high value-added segments of value chains, such as product conception, design, branding, and marketing.

Comparative analysis of value chains has demonstrated that the global south is no longer a homogeneous entity, but has become increasingly differentiated, confirming that subordination and dependency might be transitory situations. This raises the question of why and how some countries have managed to redefine the terms of capital accumulation vis-à-vis leading transnationals and integrate into high value-added segments of global value relations on more equal and less dependent terms, while many others have failed to do so. As discussed in Chapter Three, the current literature in value chain analysis say little, if anything, about the situations of dependency along value chains, and offers a limited explanation of the matter of upgrading by attaching it to the firm-centric, techno-industrial and market-based analysis of value chain governance. Thus, in order to move beyond these limitations, this study has lastly sought to offer a due explanation by putting the matter of dependency and upgrading into a broader institutional, regulatory and class-based context, upon which hierarchically-structured global value relations operate.

Deriving insight from earlier studies of dependent development and a class-relational articulation of the developmental state, this study has argued that overcoming dependency situations and building-up productive/technological/managerial capabilities along value chains is not automatic based on firm-based and market-oriented relations, but rather is contingent on the mode of integration with global value chains, through a configuration of class forces, state-society relations and institutional/regulatory settings within a particular socio-spatial entity. Looking into the wider global south, the countries which have most successfully managed dependency relations and moved to high value-added activities along the value chains are the ones that reconcile and reframe the global strategies of leading TNCs with the interests and development priorities of their local economy. At the heart of this process lies the transformative role and institutional capacity of the state as a major nexus of economic and social transformation between domestic social classes and global capital.

The rising economies of the south integrate into global production on unequal and disadvantageous terms, and need to cope with a set of collective action problems in addressing the challenges posed by dependency situations and moving upwards in value relations. Broadly, this involves two set of collective action problems: those that are related to structural change (Gerschenkronian), such as creating opportunities for furthering accumulation, reducing the risk of investment, organising labour and promoting export markets, and those related to the matter of upgrading (Kaldorian), such as increasing the returns to scale, moving up the product cycle, learning by doing and investment in innovation. In this context, the state, a major nexus of economic transformation, emerge as an effective sponsor in shaping the local accumulation process and overcoming collective action problems through a set of institutional capacities and innovations. Nevertheless, it is further argued that, given the diverse nature of domestic class configurations and differing external dynamics, building up such institutional capacities cannot easily be achieved or replicated elsewhere in the global south

Within the rising global south, only a few countries seem to have truly built up the respective institutional capacities and innovations to overcome these collective action problems. This is particularly the case in the developmental states of East Asia, in which underlying class-configurations, state-society relations and their interaction with the outer world have given rise to the formation of such institutional innovations. In

other words, the genesis and development of institutional capacities itself emerges as a challenging collective action problem that inherently lies at the bottom of politics and class relations, involving a broad package of social mobilisation, class compromise and concessions. In contrast, looking into the rest of the global south, the rising economies of Latin America, Eastern Europe and South-East Asia have failed to develop such institutional capacities, given a plethora of factors such as configurations of domestic class forces, the uneasy nature of state-society complexes and diverse modes of integration with the global economy. Thus, as demonstrated with respect to the paradigmatic cases of Latin America, the prospects of economic upgrading remained limited in most of the developing world, making any story of upward mobility or convergence hardly generalisable.

The country-level analysis of Turkey in Chapters Four and Five provided further validation and revealing clues for the above, addressing the prospects and limits of capitalist development in today's global south. As one featured economy of the rising South, Turkey has transformed itself from a resource-based, agrarian nation to a "New Industrialised Country" poised to join the ranks of world-class manufacturing hubs in higher value-added products. Similar to most emerging economies, this process has been predicated upon a close interplay of leading transnationals, the state and domestic social classes over time. Nevertheless, and more in conformity with the cases of Latin America than the success stories of East Asia, the Turkish state, as the major nexus of economic transformation, has historically lacked the required class-relational and institutional capacities to overcome collective actions problems, particularly the Kaldorian ones.

Given long-standing inter- and intra-class cleavages and the uneasy nature of state-society relations, the Turkish state has remained in an unpleasant position, never truly securing the wider consent of social classes, and mobilising resources and society around a long-term development project that would bring the country to the ranks of advanced economies. Turkey's capitalist development seems to be an uneasy and uncompleted process in which the state has managed to build up institutional arrangements to further capital accumulation and structural change, but has displayed relatively limited achievements in increasing the return to scale, learning-by-doing, investing in design, conception and innovation, and thus moving up value chains. Considering its weak class-relational and institutional capacity, Turkey is doomed to

follow a lower road of integration with the global economy, which manifests itself in the types of goods manufactured and the value-added nature of local industrial activities.

Driven by the launch of export-led manufacturing policies and coupled with increasing foreign investment inflows, the Turkish economy has gone through substantial structural and industrial transformation in the last few decades, due to which the range and technological composition of exports shifted toward the non-traditional and more technology-intensive ones, such as automotive, machinery, electronics and chemical products. The state has adopted the necessary policy measures and institutional arrangements to clear the way for new investments in industrial production, both for domestic and global capital. However, when it comes to renegotiating and redefining the terms of local capital accumulation and upgrading the technological, managerial and market capabilities of domestics capital vis-a-vis leading TNCs, the state has not managed to develop the respective capabilities. Hence, despite structural and sectoral changes in the economy, the local bourgeoisie have been mostly stuck at the downstream stages of export roles, such as export-processing assembly operations, component-supply subcontracting and original equipment manufacturing which account for relatively low levels of created added-value.

The way of Turkey's integration into global networks of production and trade represents a less impressive picture in capitalist terms, as it generates an increasing share of global manufacturing exports but a disproportionally low share of globally created value-added on the side of the domestic bourgeoisie. Mostly stuck at subordinate stages of global production, domestic industrialists have displayed limited achievements in expanding their control over entire circuits of accumulation along global value chains, and have therefore remained largely dependent on leading transnationals in terms of accessibility to cutting-edge technologies, patents, design capabilities, and managerial and market skills. In fact, the formation of the industrial sector along these lines has endowed the domestic bourgeoisie with low profit volumes and modest, if not Schumpeterian entrepreneurial rents, which has, in turn, translated into a low-wage economy and a ruinous regime of control over the salaried and labouring classes. After all, at the very bottom of value relations, the integration of Turkish industry with global networks of production and trade has brought impoverishing economic growth and intensified the social and economic exclusion of the majority of the population in Turkey.

At the lower level of analysis, the field-based research into the Turkish auto industry in chapters Six and Seven added empirical rigor and deeper insights to the country-level discussion. As the 15th largest automotive manufacturer in the world, with an annual production of over 1.3 million vehicles, the Turkish automotive industry is the main driver behind export-led manufacturing growth and structural change in Turkey. Based on the decades-long interplay between transnational automakers, the state and domestic classes, Turkey has made great progress in auto-led development, marked by increased competitiveness, productivity and integration with global auto value chains. Indeed, this signifies the substantial structural change that Turkey has achieved in the composition and value-added nature of its exports, and the allocation of labour from low to high productivity sectors. Thus, it is fair to suggest that Turkey seems successful in confronting Gershenkronian collective action problems in auto-led development, as it has furthered the aggregation and investment of capital into auto production to a substantial degree, and increased its share of output and competitiveness in the world automotive industry.

However, despite its strong production capabilities and recent export success, the auto-led development in Turkey does have certain limitations that exhibit the main characteristics of what we call a new form of dependent development. Even though auto exports have increased and diversified, the degree of sophistication in the industry remains relatively low, and lacks the indigenous technological and managerial capabilities necessary to develop a fully autonomous sector. Under increasing inter- and intra-class cleavages and the intense lobbying of different capital groups, Turkey has not developed reciprocal relations and effective channels of information exchange between the state and auto industrialists, needed to take strategically-designed sector- and firm-specific measures to restructure and rationalise the auto industry along national capitalistic lines. Thus, much like its Latin American counterparts, the automotive industry in Turkey has not developed truly indigenous capabilities in design, conceptualisation and manufacture of products under their own brand names, nor in marketing networks that would eventually allow it to capture high value-added along global auto chains.

In this sense, Turkey has been rather limited in solving the Kaldorian collective action problems in auto-led development. As surveys and interviews revealed, both assembly and supplier firms have mainly specialised in offshoring and outsourcing segments of

global auto chains, which are characterised by globally dispersed, routinized and highly competitive activities, and are mostly destitute of Schumpeterian entrepreneur profits or Marxian super profits. Although some firms, mostly joint ventures and a limited number of locally-owned large-scale suppliers, have developed R&D capabilities in co-designing and product development, they are mostly confined to areas such as achieving higher cost performance, improving production processes or product quality, and have not shifted to core competences such as overall product conception, own-brand production or marketing. Thus, despite a certain amount of localisation of research and development activities, crucial technological and managerial skills remain jealously guarded by leading transnationals, producing complex situations of dependency both in vehicle and component production.

Further insights from field-based research also revealed that the integration of the Turkish auto industry along these lines was predicated upon a disastrous labour regime, characterised by a combination of a high rate of absolute value extraction with increased, but limited, relative surplus value in industrial relations. At the bottom of value relations, the burdens of increased productivity and competitiveness in the auto industry has fallen disproportionately on the labouring classes, as surplus transfer from wage-labour to capitalist classes has intensified over the period in question. This has particularly found its expression in deunionization, pseudo-trade unionism, job insecurity, long and unordinary working hours, diminishing real wages, underpaid/unpaid labour and thus the growing exclusion of wage-earners from the auto-led growth process. Thus, our field-based research not only reveals the limitations of auto-led development and the complex situations of dependency it has engendered, but also raises important questions about its detrimental implications on labour.

Consequently, the evidence presented in our industry-level analysis has provided a more accurate portrait of how dependency and development works within today's global networks of auto production and trade. It has presented valuable insights to study the limits and prospects of capitalist development in the rest of the global south. However, despite the utility of the proposed theoretical/conceptual framework, the presented empirical evidences should be approached with caution, as situations of dependency display complex variations over time, from country to country and from industry to industry. Thus, further research on cross-industry analysis of different sectors and or cross-country analysis of other emerging economies in Eastern Europe and South East

Asia would help not only test the conclusions made in this study, but also help reach a more generalisable view of the matter of dependency and development in today's global south.

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APPENDICES

Appendix 1: Interviewee List of Auto Assemblers

Interview	Name of Firm	Size of Firm	Name of Interviewee	Position of Interviewee	Notes on the role and importance of firm/interviewee
Int. 1	Anadolu-Isuzu Otomotiv Sanayi ve Ticaret A.Ş.	LARGE	Arif Özer	R&D Director	The experience of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. goes back to the foundation of Çelik Montaj Company in 1965. During Çelik Montaj period, the company specialised in the production of trucks and motorcycles under the license of Skoda and Jawa respectively. After signing a license agreement with Isuzu Motors Ltd in 1983, the company gave start to production of Isuzu vehicles one year later. With the signature of partnership agreement between Isuzu, Itochu and Anadolu Endüstri Holding, the company transformed into the first Turkish-Japanese partnership in automotive sector. As an open joint stock company founded with the strategic partnership of these three shareholders, Anadolu Isuzu today specialised in the production and sales of commercial vehicles of Isuzu such as light trucks, trucks, buses and pick-up. In 2014, Anadolu Isuzu A.Ş. ranked 150th in Turkey's top 500 industry companies. The interviewee, Mr. Arif OZER is a well-educated professional who has been working for Anadolu-Isuzu since 1996. Mr. Ozer previously worked as Quality Control Manager, Material Supply Manager and After-Sales Services Manager at Anadolu-Isuzu Otomotiv A.Ş.
Int. 2	Ford-Otosan A.Ş.	LARGE	Barış Şenyener	Automotive Engineering and Product Development	Very foundation of the collaboration between Ford and Otosan (Koc Holding) can be traced back to 1928, when Vehbi Koç was assigned as dealer of Ford in Turkey. The following year Ford was granted by the

				Manager	Turkish government the right to carry out local assembly operation in a free zone at the port of Istanbul. In 1959, the Otosan automotive factory was founded by Koç Holding in Istanbul. In 1960 Otosan started to produce its first model, the Ford Consul, followed by the Thames and the Thames Trader van. Later in 1965, 1966 and 1967, Otosan started to produce the D1210 truck, the Anadol and the Ford Transit respectively. The current form of Ford-Otosan was established in 1977 with the signature of a license agreement between Ford and Otosan. Today, with highest production capacity Ford Otosan has become leading automotive company in Turkey in which Koç Holding and Ford have equal stakes. Currently employing more than 9000 people in four different facilities throughout Turkey, Ford Otosan is commercial vehicle production hub of Ford Europe which ranked 2nd in Turkey's top 500 industry companies in 2014. The interviewee, Mr. Barış Şenyener, is a well-experienced and senior professional who has been working for Ford-Otosan since 1990
Int. 3	Confidential	LARGE	Confidential	Confidential	Confidential
Int. 4	KARSAN A.Ş.	LARGE	Jan Nahum	Executive Director and Board Member	Founded in 1966, Karsan has been operating as Turkey’s only independent multi-branded vehicle manufacturer since the early 2000s. Owned by 100% Turkish capital, Karsan is designed with the capacity and flexibility to produce many types of vehicles, ranging from cars to minivans and from busses to trucks. Particularly aimed at manufacturing the commercial vehicle segment from LCV to HCV, Karsan is not only working with global brands like Peugeot, Fiat Citroen and Hyundai as contractor, licensee or licensor, but also developing its own brand image, and offering innovative products and

					service solutions to private and public transportation. Since 2013, Karsan has been producing its own minibus branded Jest. Again within its scope of vision, Karsan is also offering solutions to needs of the public transport system of cities with its 8m buses branded ATAK and STAR since 2014. Employing almost 1600 people within its three different partnering structure, namely Karsan plant, Hexagon R&D Studio and Karsan Marketing, Karsan ranked 93th in Turkey's top 500 industry companies in 2013. The interviewee, Mr. Jan Nahum, is one of the most renowned figure and doyen of Turkish automotive industry who joined the Koç Group in 1973 and took charge in many positions within auto companies of Koç Group. Mr Nahum previously served as the general manager of Otokar and of TOFAŞ between the years 1984-1994 and 1994-1997 respectively. As an internationally recognised figure, Mr Nahum also worked as the head of International Business Development at FIAT S.p.A. between the 2002 and 2004. Before joining Karsan, Mr Nahum served as the general manager of Petrol Ofisi. Mr Nahum is now serving as executive director of Karsan and the founding partner of Hexagon Studio.
Int. 5	Güleryüz Karoseri Otomotiv Sanayi ve Ticaret A.Ş.	LARGE	Mustafa Demirci	Vice General Manager	The roots of Güleryüz Otomotiv A.Ş. traces back to 1967 when it was founded as a small workshop which specialised in the reparation of crashed and damaged bodies of vehicles. In the following years, Güleryüz Otomotiv also converted the wooden bodies of old buses into sheet steel made bodies. In 1982, Güleryüz started to produce bus bodies on various chassis provided by Mercedes, Man and Renault, and in 1992 started manufacture long distance double-decker couches using Volvo and DAF chassis. In the early 2000s, by using imported power engines, axle shafts and transmission boxes, the company start

					manufacturing buses and coaches under its brand name, Güleryüz Cobra. Early on, Güleryüz produces for local markets, particularly for municipalities and districts of big cities such as Istanbul, Adana, Mersin and Antalya. Later on the company started export its buses even to some European Countries such as Romania, Serbia, Bulgaria, Greece, Hungary and Austria. Having the capacity of producing 500 units per year in its 35.000 m² closed manufacturing facility, Güleryüz Otomotiv is more of a boutique bus manufacturer whose success is predicated on craftsmanhip and know-how gained by its 40 years experince in body shop industry. The interviewee, Mr. Mustafa Demirci is a senior professional of Güleryüz Otomotiv who has 44 years of experience in automotive sector.
Int. 6	Hyundai Assan Otomotiv Sanayi ve Ticaret A.Ş.	LARGE	Confidential	Confidential	Considering Turkey's market potential and its advantageous geographical location to export markets in Europe, Middle East and Asia, Hyundai-Assan A.Ş. was founded as a joint venture between Hyundai and Kibar Holding in 1995 and started to produce its very first Hyundai-licensed private cars two years later. Having 233. 000 m² manufacturing facility in Kocaeli, Hyundai-Assan now has a production capacity of 215 thousand units per year. To date, having manufactured over 1 million vehicles, Hyundai Assan factory has great importance for Hyundai Motor Company as it functions as a gateway to European continent given the production of model i10 of A segment and i20 of B segment. In 2014, Hyundai-Assan ranked 13th in Turkey's top 500 industry companies.
Int. 7	Oyak-Renault Otomotiv	LARGE	Confidential	Confidential	Established with the signature of a partnership agreement between

	Fabrikaları A.Ş.				Renault, Oyak and Yapı Kredi Bank in 1969, Oyak-Renault Otomotiv A.Ş. today is the biggest production plant of Renault Group out of the Western Europe. With more than 5700 people and 534.530 m² manufacturing facility, Oyak-Renault's main field of activity is production and sales of Renault-licensed vehicles and engines all over the world. Having production capacity of 360 000 vehicles and 450 000 engines per year, Oyak-Renault has been the leading auto manufacturer of Turkey in the last 16 years. In 2014, Oyak-Renault ranked 3th in Turkey's top 500 industry companies.

Appendix 2: Interviewee List of Auto Component Manufacturers

Interview	Name of Firm	Size of Firm	Name of Interviewee	Position of Interviewee	Notes on the role and importance of firm/interviewee
Int. 8	Aktaş Hava Süspansiyon Sistemleri A.Ş.	LARGE	Sami Erol	Member of Board- Chief Executive Officer at Aktaş Holding	Founded as a small workshop in 1938, Aktaş Holding has today reached a position operating on 6 continents and in more than 90 countries. Given its expertise in the field of air suspension spring and rubber, Aktaş Holding globally offers reputable and high quality air suspension spring systems to OEMs. The interviewee, Mr Sami Erol, is highly experienced professional and executive in automotive sector who previously worked as general coordinator and general maneger at Smart Automotive and Orhan Holding respectively.
Int. 9	Coşkunöz Metal Form A.Ş	LARGE	Halil Akgül	Member of Board and Core Competence Coordinator	Having half century of experience in the automotive sector, Coşkunöz Metal Form (CMF) is one of the market leaders in the production of sheet metal parts and complete assembles, welding

				at Coşkunöz Holding	machines and apparatus for the automotive sector. With more than 1600 employees and 80.000m² closed area, CMF was 163th in the top 500 largest industrial companies of Turkey in 2014. The interviewee, Mr Halil Akgül is a well-experienced expert and businessmen who has worked for CMF more than 18 years. Mr Akgül is also a prominent figure in Turkish automotive sector as he serves as the head of automotive group at the Bursa Chamber of Commerce and Industry.
Int. 10	Inci & GS Yuasa	LARGE	Perihan Inci	Member of Board-Shareholder and Former Chairwoman of Board	Exporting to over 80 countries in 4 continents, İnci Akü ranked 234th in Turkey's top 500 industry companies in 2014. As the export leader of its sector and the leading battery producer of Turkey, İnci Holding produces under the brand names of İnci Akü, EAS, Hugel and has a strategic partnership agreement with Japanese giant GS Yuasa. The interviewee, Ms. Perihan İnci is a successful business woman who serves as a member of Board in group companies of İnci Holding and performed the task of chairwoman previously. As a board member of Association of Automotive Parts and Components Manufacturers (TAYSAD) Ms İnci is also a prominent business figure in Turkish automotive industry.
Int. 11	Maxion &İnci Jant Sanayi A.Ş.	LARGE	Perihan Inci	Member of Board-Shareholder and Former Chairwoman of	Founded as a joint venture in 1992, Maxion İnci Jant Group holds a wheel production capacity of 4 million 700 thousand per year. Exporting 60% of its production to Global OEMs, Maxion & Inci wheel industry has received the “Best Supplier Award” from global brands like Toyota, Hyundai, Jaguar-Landrover, and Honda.

				Board	Maxion İnci Jant Sanayi A.Ş ranked 183th in Turkey's top 500 industry companies in 2014. The interviewee, Ms. Perihan İnci is a successful business woman who serves as a member of Board in group companies of İnci Holding and performed the task of chairwoman previously. As a board member of Association of Automotive Parts and Components Manufacturers (TAYSAD) Ms İnci is also a prominent business figure in Turkish automotive industry.
Int. 12	Delphi Automotive Systems A.Ş.	LARGE	Metin Civlak	Manager-Chief Engineer	Located in the Aegean Free Zone, Delphi Automotive Diesel Group's plant in Izmir produces auto components such as complete injectors, injection nozzles, fuel pump components and valves. Having 15,000 m² manufacturing facility, Delphi Diesel Group in Izmir has been operating as a totally foreign-owned production site of DELPHI, a globally-known, high-technology company in automotive sector. Delphi ranked 83th in Turkey's top 500 industry companies in 2014. The interviewee, Mr. Metin Civlak, is a well-educated and experienced professional who has been working for Delphi since 2002.
Int. 13	Ermetal Otomotiv A.Ş	LARGE	Mehmet Gökçedağlıoğlu	Research and Development (R&D) Manager	Established in 1978, the product range Ermetal Otomotiv A.Ş involves closure & body parts, roof, chassis and steering columns. Employing 800 people in 28.000 m² enclosed area, Ermetal is a reputable tier-one supplier of global auto brands such as fiat, Renault, Ford and Toyota. Thanks to its modern manufacturing facility, Ermetal is capable to stamp 40.000.000 parts per year with

					60.000 tons sheet metal consumption. Throughout its history, Ermetal has also produced hand brake lever, cardan shafts, steering shaft systems and various sheet metal parts for TOFAŞ-Fiat. Ermetal Otomotiv A.Ş listed 482th in Turkey's top 500 industry companies in 2014. The interviewee, Mr. Mehmet Gökçedağlıoğlu, is a well-experienced and senior professional who has been working for Ermetal since 1999. Mr Gökçedağlıoğlu also served as technical manager of Ermetal for more than 10 years. Before joining Ermetal, Mr Gökçedağlıoğlu worked as quality manager and production manager in automotive and metal forming sectors respectively.
Int. 14	Beyçelik & Gestamp A.Ş.	LARGE	İbrahim Küçükaslan	Deputy Production Manager	Established in 1976 Beyçelik became an industry leader in sheet forming, mold and die production. Beyçelik A.Ş signed a partnership agreement with Gestamp Automocion in 2007 and extended its activities across Europe. Having 5 plants located on 105.000 m² in Bursa and Kocaeli Beyçelik & Gestamp ranked 156th in the top 500 largest industrial companies of Turkey in 2014. The interviewee, Mr. İbrahim Küçükaslan, is well-experienced and dynamic professional in automotive industry who has worked for Beyçelik & Gestamp for many years
Int. 15	Presmetal A.Ş.	LARGE	Macide Binici	Quality Manager	Having two separate manufacturing facilities with a total covered area of 11.000 m², Presmetal specialised in the production of stamped sheet metal and assembled sheet metal for main automotive firms and tier-one sub-industries. With over 30 years of experience in automotive sector, Presmetal is today a reliable

					partner for main automotive factories given its technical and manufacturing capabilities, designing power and high-quality standards. The interviewee, Ms. Macide Binici, is a well experienced professional who has been working for Presmetal more than 21 years.
Int. 16	Tirsan Kardan A.Ş.	LARGE	Hakan Cengiz	Managing Director	With more than 60 years of experience in the automotive industry, Tirsan Kardan A.Ş is specialised in the design and production of steering columns, propeller shafts, and gear box/differential flanges. Having two manufacturing plants in Manisa Organised Industrial Zone. Tirsan Kadran is favoured supplier for OEM and OES companies in Turkey and worldwide. Tirsan Kardan ranked 646th in the top 1000 largest industrial companies of Turkey in 2014.
Int. 17	BPO B-Plast A.Ş.	LARGE	Confidential	Confidential	BPO B-Plast A.Ş was founded in 1992 as a joint-venture between B-Plas A.Ş. and French giant Plastic Omnium under 50:50 partnership agreement. Having 3 plants located on 42.000 m² in total, BPO B-Plast produces plastic items such as bumpers and fuel tanks, and dispatches more than 4.440.000 components per year. BPO B-Plast ranked 507th in the top 1000 largest industrial companies of Turkey in 2014.
Int. 18	Orhan Otomotiv Kontrol Sistemleri A.Ş.	LARGE	Confidential	Confidential	In 1996, Orhan Otomotiv Kontrol Sistemleri .A.Ş. was founded as a joint venture of Orhan Holding and Sila Group Industriale SpA. Orhan Otomotiv Kontrol Sistemleri particularly specialised in gearshift mechanism, flexible control cables and plastic

					components. As a leading member of Orhan Holding's group of companies, Orhan Otomotiv Kontrol Sistemleri is today a global supplier in automotive industry
Int. 19	Confidential	LARGE	Confidential	Confidential	The firm operates as a subsidiary of global giant which produces auto components for OEMs in Turkey and worldwide. On global scale, its parent company enjoys a major R&D advantage. The firm is among the major foreign-owned auto component manufacturers in Turkey which listed in Turkey's top 500 industry companies in 2014. The interviewee is a well-experinced professional who served as the country manager of the firm.
Int. 20	Confidential	LARGE	Confidential	Confidential	Employing over 1000 people, the firm is a fully Turkish-owned auto component manufacturer which listed in the top 1000 largest industrial companies of Turkey in 2014. The interviewee is a young, dynamic and well-educated professional who works as the sales and export manager of the firm.
Int. 21	Floteks Plastik A.Ş.	MEDIUM	Veysel Celal Beysel	Owner and Chairman of the Executive Board	Floteks produces wide range of products such as fuel tank, watertanks, washer fluid tank, Air ducts, mudgards Cabs for driving cabins and seat Components. With a laboratory funded by The Scientific and Technological Research Council of Turkey (TÜBİTAK), Floteks is not only a typical manufacturer for global OEMs but also runs strategic joint projects with OEM customers as

					a co-designer company. Currently, Floteks holds 7 patent application, 50 design registrations and 20 petty patent. Employing more than 200 persons, Floteks represents a successful example of medium size enterprise with R&D capabilities within its premises. The interviewee, Mr. Veysel Celal Beysel, is not only a well-experienced businessman in automotive sector, but also a key figure in Turkish business world. Between 2006 and 2011, Mr. Beysel served as the chairman of the Turkish Enterprise and Business Confederation (TÜRKONFED), one of Turkey's largest non-governmental business organizations, comprising 23 federations and 155 associations and more than 30,000 firms, and mostly representing the secularist pole of Turkish Business along with TÜSİAD.
Int. 22	YAMAS A.Ş.	MEDIUM	Ümit Okyay	Chairman of the Executive Board	Established in 1996, YAMAS produced sheet metal forming and machining parts until 2002 when the firm shifted its area of specialization to bushes (rubber and metal vibration parts). Employing more than 200 people today, Yamas has particularly come to the fore in this branch of industry. Founded as totally domestically-owned business, YAMAS engaged in equity-based strategic partnership with its German partner in 2012 thanks to its capabilities in production and high quality standards.

Int. 23	Bilgiç Kalip Karoser Oto.San.Tic.Ltd	MEDIUM	Yaşar Köklü	Owner and Chief Executive of Company	As one of the major firms in its field of operation Bilgiç Kalıp produces snacktrays, footrests, armrests, backrests, emergency hammers and such sort of plastic products for vans, city buses, coaches and trolley buses. Having long years of experience in its field of activity, Bilgiç Kalıp produces for Grammer, ISRİ HAUSEN, TEMSA, OTOKAR, ISUZU in Turkey and exports its products to more than 20 countries all over the world
Int. 24	YAPA Yedek Parça Makina San. ve Tic Ltd.	MEDIUM	Yakup Durmuş	Chief Technology Officer and Engineer in Charge	YAPA was particularly established to support its sister company, Yepsan Yedek Parça San. Tic. A.Ş, a giant producer of shaped and combined sheet metal parts in automotive industry. YAPA supports YEPSAN by designing and manufacturing moulds, apparatus and fixtures. YAPA manufactures large injection moulds and aluminium heat shield progressive tandem moulds for Fiat-Tofaş. In addition through its sister company, YAPA has made moulds for other global brands such as VW, AUDI, VOLVO, GM and BENTLEY.
Int. 25	B-TEK Metal Imalat San. ve Tic Ltd.	MEDIUM	Sinan Çakar	Production Manager	Located at 4000 m² total closed manufacturing facility, B-Tek Metal produces sheet metal forming dies and stamping parts to the automotive industry.
Int. 26	NAF Metal Otomotiv A.Ş.	MEDIUM	Emin Vahapoğlu	Chairman of the Executive Board	NAF Metal operates as a sub-industry automotive firm which particularly specialised in sheet forming and moulding. NAF has been directly produce for key industry firm, KARSAN or dispatches its products to Renault and Fiat through tier 1 suppliers in Turkey such as Ermetal, Beyçelik & Gestamp, Coşkunöz Metal

					Form.
Int. 27	PAYEPLAST Plastik Vakum Kalıp San. ve Tic Ltd.	MEDIUM	Orhan Kuş	Chairman of the Executive Board	Founded in 1994, PAYEPLAST is a successful medium-size firm which produces mudguard arch cover and other thermoforming parts for automotive industry. With in-house R&D capabilities PAYEPLAST is not only a reliable supplier in its field of operation but also a firm equipped with co-designer abilities in thermoforming industry.
Int. 28	ÜÇEL Otomotiv A.Ş	MEDIUM	Hüseyin Oruç	Shareholder and Chief Executive of Company	Established in 1980, ÜÇEL Otomotiv A.Ş specialised in the production of rubber and metal component such as crankshaft pulleys, axle bellows, gear box ipper bellows, gear box dust rubbers, shock absorber kits, torsion bushes and more of the same. With closed area of 7500 m², ÜÇEL exports its products to over 40 countries all around the world. As a leading company in the aftermarket sector in Turkey, ÜÇEL has been also developing in-house R&D and testing facilities, focusing on OEM activities.
Int. 29	Erbab Otomat Yedek Parça San. ve Tic. Ltd.	MEDIUM	Ufuk Erdoğan	Owner and Chairman of the Executive Board	Established in 1978, Erbab specialised in the production of any kinds of metal pieces on machining in automotive sub-industry. Erbab exports its products to many European countries, mainly to Germany. Erbab is a direct supplier of Tofaş-Fiat A.Ş and operates as a tier 2 supplier of other global brands such as Renault, Ford, Opel, Daimler-Benz, BMW and Porsche.
Int. 30	Boztekin Otomotiv A.Ş.	MEDIUM	Sami Baha Boztekin	Shareholder and Chairman of the Executive Board	Founded in 1973, Boztekin Otomotiv specialised in the production of pressing and assembled parts for the automotive industry.

					Having 18.000 m² total manufacturing facility, Boztekin Otomotive is a highly proficient medium scale firm which is capable to produce bodywork of any vehicle in compliance with quality standards.
Int. 31	ES-BIR Metal Plastik Makine San. ve Tic. Ltd.	MEDIUM	Ahmet Yeniay	Production Manager	Located at Nilüfer Organized Industrial Zone), Bursa, ES-BIR Metal is a typical medium scale firm which is particularly specialised in metal cutting for mainly automotive sector.
Int. 32	Ayaz Otomat Oto Yan Sanayi	MEDIUM	Recep Ayaz	Chief Executive and Owner of company	Established in 1979, Ayaz Otomat specialised in the production of metal and plastic components such as plastic injection moulds, air feed boxes, metal parts of seat and all sort of sheet moulds. Exporting 72% of its production to Global markets, Ayaz Otomat is a typical family-owned enterprise with an export-oriented production and sale strategy.
Int. 33	Yeni Asmetal Rot Rotil San. ve Tic Ltd.	MEDIUM	Confidential	Confidential	Since founded in 1979, Yeni Asmetal has been manufacturing steering and suspension parts, mainly for aftermarket customers. With reliable brand image, Yeni Asmetal produces original equipment quality parts.
Int. 34	Confidential	MEDIUM	Confidential	Confidential	Employing over 200 people, the firm specialised in the production of front and rear bumpers, dashboard panel plastics, car cockpit and seat plastics. The interviewee is a senior professional who serves as member of board and chief executive officer at the firm.

Int. 35	Atış Makina San. ve Tic. Ltd.	SMALL	Emrullah Gürkan	Owner and Chairman of the Executive Board	Founded in 1983, Atış Makina produces, brake pistons, shafts, unions, ring nuts and specialised in metal cutting and production of fasteners. As a second- and third-tier supplier, Atış Makina works with upper tier auto suppliers such as LAS-PAR, BALAP, Presmetal and Şahinkul A.Ş.
Int. 36	AYTEK Alman Yay Teknik San. ve Tic. Ltd	SMALL	Hanifi Koçer	Foreign Trade Manager and Engineer in Charge	Established as a joint venture with Federn-Brand KG, a leading European spring manufacturer, AYTEK has been operating as a wholly Turkish-owned auto component manufacturer since 2002 which produces high quality springs for automotive, white goods, electric, defence and machinery industry.
Int. 37	B.C.E Kauçuk Metal San. ve Tic. Ltd. Şti.	SMALL	Fuat Aksu	R&D Manager	B.C.E Rubber & Metal is specialised in the production of assembly elements mainly made of rubber and rubber – metal compositions. B.C.E. directly or indirectly exports its products mainly to European countries. It produces wide range of rubber products of global brands such as MERCEDES, MAN, VOLVO, SCANIA, IVECO –MAGIRUS, SETRA, IKARUS and NEOPLAN.
Int. 38	Otocan Yedek Parça San. ve Tic Ltd.	SMALL	Fatih Cansabuncu	Shareholder and Chairman of the Executive Board	As a typical small-scale auto sub-industry firm, Otocan especially produces safety parts, such as bush, track control arms and stabilizer bar tie rod. Otocan dispatches its products as a spare parts manufacturer or a tier 2-3 supplier.
Int. 39	Birlik Otomotiv Ltd.	SMALL	Tayfun Arpacı	Owner and Chairman of the Executive Board	Employing 20 people, Birlik Otomotiv is a small-scale contract manufacturer which produces all sort of small metal parts for upper-tier auto suppliers such as Yarış Otomotiv and Destek

					Otomotiv.
Int. 40	Bursa Otomat San. ve Tic Ltd.	SMALL	Ertuğrul Demir	Owner and Chairman of the Executive Board	Founded in 2007 at Bursa Small Industrial Zone, Bursa Otomat is a typical small enterprise which specialised in CNC turning and milling services for metal components and parts in automotive industry. Given its scale and limited capabilities Bursa Otomat operates as second tier or third tier supplier in automotive sector.
Int. 41	FAMKO Makina Metal San. ve Tic. Ltd.	SMALL	Gürbüz Avcı	Shareholder and Chairman of the Executive Board	As a typical small enterprise, FAMKO produces control fixtures, welding fixtures, mounts, robotic welding apparatus and hydraulic for tier 1 suppliers in auto industry, such as Beyçelik & Gestamp, Coşkunöz Metal Form, Tiberina Automotive, Martur and many more.
Int. 42	EK-A Yüzey Işlem Pres Otomotiv Metal San. ve Tic. Ltd.	SMALL	Murteza Doğan	Owner and Chairman of the Executive Board	Established in 2009, EK-A Yüzey Işlem is a small enterprise which provides surface finishing service for upper tier suppliers in automotive sector such as Rollmech, Tiberina and TGK Automotive. EK-A particularly specialised in trimming, sanding, polishing and gas metal arc welding.

Appendix 3: Interviewee List of Policy Makers, Business Representatives and Experts in the Automotive Industry

Interview	Name of Interviewee	Name of Affiliated Institution/Association	Position of Interviewee	Notes on the role and importance of Institution/Association/Interviewee
Int. 43	Alper Kanca	Association of Automotive Parts and Components Manufacturers (TAYSAD)	Deputy Chairman of the Board of Directors	Association of Automotive Parts and Components Manufacturers (TAYSAD) is the only and most potent representative organisation

				of the automotive supplier industry in Turkey. Having 343 members, TAYSAD stands for 65% of the total production of Turkish auto supplier industry and 70% of the total export in the supplier industry. The interviewee, Mr. Alper Kanca, is a well-experienced businessman who also serves as CEO of KANCA A.Ş.
Int. 44	Cem Bayrak	East Marmara Development Agency (MARKA)	Senior Expert	East Marmara Development Agency (MARKA) is a regional development agency which prepares and coordinates development strategies for five provinces in East Marmara, namely Kocaeli, Sakarya, Düzce, Bolu, Yalova. Thanks to its legal power and organisational structure, MARKA provides coordination and cooperation among public sector, private sector and NGOs in the region. The interviewee, Mr. Cem Bayrak, has been working as an expert at MARKA for many years. Particularly, He is well-experienced in automotive sector as he has been in charge of coordinating several meetings and drawing up reports on the auto industry.
Int. 45	Dr. Serkan Bürken	The Technology Development Foundation of Turkey (TTGV)	Former Expert	Established in compliance with an international loan agreement between the Republic of Turkey and the World Bank, the TTGV is the only "Public-Private Sector Partnership" which aims to increase the global competitiveness of the Turkish private sector by supporting R&D and innovation in Turkey. Thanks to its legal status, the TTGV is an intermediary foundation which incorporates 24 private firms (including some key and sub-industry automotive firms), 5 public institutions, 11 umbrella organizations (including

				OSD and TAYSAD) and 15 individuals into its institutional structure. The interviewee, Dr. Serkan Bürken work for the TTGV as project manager and expert for about 7 years since September 2015. Mr. Bürken is particularly specialised in R&D funding, technology transfer, technology audit, technological networks and clusters. Mr. Bürken also obtained his PhD degree at Middle East Technical University in Science and Technology Policy, and with a particular interest in technology development in Turkish automotive industry.
Int. 46	Mehmet Attila	The Aegean Region Chamber of Industry (EBSO)	Former Head of Automotive Sub-industry Group at the EBSO	Founded in 1954, the Aegean Region Chamber of Industry (EBSO) is a regional chamber with a total active membership of almost 4.500 industrial firms. As an internationally accredited and recognised chamber, the EBSO has been serving regional and national economy by supporting the competitiveness and efficiency of its members in the Aegean region. The interviewee, Mr. Mehmet Atilla, is a well-experienced professional who served as the head of automotive sub-industry group at the EBSO. For seven years, Mr. Attila also worked as the CEO of Ege Endüstri A.Ş. Currently, Mr Attila provides consultancy service in Turkish automotive sector.
Int. 47	Prof. Dr. Orhan B. Alankus	Okan University	Research and Project Development Director	The interviewee, Prof. Dr. Orhan B. Alankus, is well-experienced academician and professional who has over 30 years of experience and expertise in automotive industry. In 1982, Prof. Alankus got his PhD degree at Imperial College of Science and Technology, London. Before joining TOFAŞ Prof Alankus served as project

				manager at RDP Ltd, London for two years. Between 1984 and 1994, Prof Alankus worked for TOFAŞ respectively as Computerized Production Systems Expert, Administrator of Manufacturing Engineering Department, Vice Manager of Technical Services. Between 1994 and 2006 Prof Alankus served as R&D Director at TOFAŞ. Later on, he took in charge of the General Manager of the Design and R&D Company,of TOFAŞ-FIAT, Platfom Inc. Between 2008 and 2009 Prof Alankus served as "Technology Consultant" at KOC Holding. Later in 2009, he was assigned as Technology and Environment Coordinator at Koc Holding. Since September 2011 he has been working for Okan University as a professor and director of "Research and Project Develeopment. He also served as vice president of Automotive Technology Platform and board member of Automotive Technologies Research and Development Company.
Int. 48	Rasit Karakus	Hacettepe University	Researcher	The interviewee, Rasit Karakus, is a young but well-experinced researcher who works at Department of Automotive Enginiering, Hacettepe University. Mr Karakus actively participated in Turkey's first entirely domestically produced electric car, EVT S1. Developed in the university researh and development zone, EVT S1 is one of the most suitable models for mass production.
Int. 49	Confidential	Confidential	Confidential	The interviewee is a well-experinced academician and professional who has over 20 years of experince in automotive industry.Currently, he works as academician at one of the most well-known engineering department in Turkey. He also served as technical adviser for automotive companies in Turkey and conducted several R&D projects in automotive industry.

Int. 50	Confidential	Confidential	Confidential	The interviewee is a long-serving professional who worked as general director and vice general director at three different large-scale auto sub-industry joint ventures in Turkey. As a well-experienced professional in production planning, information technologies and R&D, he currently provides consultancy service in automotive and electronics sectors.
Int.51	Confidential	Confidential	Confidential	The interviewee is the secretariat general of one of Turkey's largest chambers of Industry. The chamber of industry, the interviewee works for, has considerable number of members from the automotive industry and so the chamber stands out as one of the represantative channels of auto industrialists in institutional sense. The interviewee is a well-educated professional who has years of experience striving for expanding the idea and ideals of automotive sector

Appendix 4: Interviewee List of Auto Workers

Interview	Name of Interviewee	Name of Firm	Size of Firm
Int. 52	Confidential	Confidential	LARGE
Int. 53	Confidential	Confidential	LARGE
Int. 54	Confidential	Confidential	LARGE
Int. 55	Confidential	Confidential	LARGE
Int. 56	Confidential	Confidential	LARGE
Int. 57	Confidential	Confidential	LARGE
Int. 58	Confidential	Confidential	LARGE
Int. 59	Confidential	Confidential	LARGE
Int. 60	Confidential	Confidential	LARGE

Int. 61	Confidential	Confidential	LARGE
Int. 62	Confidential	Confidential	LARGE
Int. 63	Confidential	Confidential	MEDIUM
Int. 64	Confidential	Confidential	MEDIUM
Int. 65	Confidential	Confidential	MEDIUM
Int. 66	Confidential	Confidential	MEDIUM
Int. 67	Confidential	Confidential	MEDIUM
Int. 68	Confidential	Confidential	SMALL
Int. 69	Confidential	Confidential	SMALL
Int. 70	Confidential	Confidential	SMALL
Int. 71	Confidential	Confidential	SMALL
Int. 72	Confidential	Confidential	SMALL
Int. 73	Confidential	Confidential	SMALL

Appendix 5: Interview and Survey Questions for Auto Assemblers

A. General Profile of Respondent

A.1. Name of respondent:
……...

A.2. Name of firm: ……..

A.3. Please identify your position at the company
:……..

A.4. How many years of working experience do you have in automotive sector?

……..years

B. General profile of Firm

B.1. In what year was your Firm founded? :……

B.2. What type of business entity is your firm? Please tick the appropriate box(es) below.

☐ Equity-based joint venture ☐ Non-equity joint venture

☐ Joint - stock company ☐ Limited liability company ☐ Collective Company

☐ Commandite company ☐Cooperative company

☐ Other, please specify: ……

B.3. If your firm is an equity-based joint venture, could you please specify the current ownership structure of your firm?

Name of local partner: ……. Equity share of local partner: ……..%

Name of foreign partner: ……. Equity share of foreign partner: ……. %

State-owned equity Share: ……% Publicly owned equity share: ……..%

B.4. If your firm is a non-equity joint venture, could you please specify the name of your partner and the type of contractual agreement you have? Please kindly state the name of your partner(s) by filling the blank below, and tick the appropriate box(es) for the type of agreement you have.

Name of foreign partner(s): ……

☐ Licensing agreement ☐ Brand use agreement ☐ Distribution agreement

☐ R&D contract ☐ Joint marketing & promotion agreement

☐ Supply Agreement ☐ Technical assistance and management agreement

☐ Other, please specify: ……

B.5. How many people are currently employed at your firm? Please tick the appropriate box below.

☐ 1-9 ☐ 10-49 ☐ 50-99 ☐ 100-149

☐ 150-249 ☐ More than 249, please specify: …….

B.6. Taking the preceding financial years as point of reference, what is the average volume of production your company realise annually?

:……..

C. The Nature of Relations within Joint Venture Partnership

C.1. In retrospect, what have been the respective motivations of the local and foreign partners that led them to maintain the continuity of such a partnership in the automotive industry? How do you think their respective motivations has changed over time since the foundation of the JV?

:……...

C.2. In practice, is there any type of division of roles or expertise between the local and foreign partners of the JV? If so, please kindly specify what sort, and how the division of roles between partners has changed over time since you first established the JV.

:……...

C.3. In a joint venture, partners make different contributions based on respective resources and expertise that they possess. Could you please indicate to what extend the local firm and the foreign partner respectively possess each of the following resources and expertise as contributions to the JV? (Please tick your response for both partners according to the scale of 1-5 given below).

1	2	3	4	5
No Extent	Little Extent	Some Extent	Great Extent	Very Great Extent
☐	☐	☐	☐	☐

	Local Partner					Foreign Partner				
	1	2	3	4	5	1	2	3	4	5
Brand names & Trademarks	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Patents & Registered Designs	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Product & Process Technology	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Capital & Finance	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Managerial Know-how	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Management Personnel	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Technical Personnel	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Supply of Labourer	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Access to Export Markets	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Knowledge of Export Markets	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Knowledge of Local Environment	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Relations with Local Government	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

C.4. To the best of your knowledge, could you please kindly indicate how decisions are usually taken between the local and foreign partners concerning the following areas of the joint venture partnership? In each row, please tick your response according to the information box given below.

1- Decisions are usually taken by the foreign partner alone
2- Decisions are usually taken by the foreign partner after consulting with the local partner
3- Decisions are usually taken jointly by both partners
4- Decisions are usually taken by the local partner after consulting with the foreign partner
5- Decisions are usually taken by the local partner alone

	1	2	3	4	5
Royalty Payments	☐	☐	☐	☐	☐
Product Development & Research	☐	☐	☐	☐	☐
Renovating/Designing of Production Process	☐	☐	☐	☐	☐
Product Pricing	☐	☐	☐	☐	☐
Launching New Investment Projects	☐	☐	☐	☐	☐
Sourcing of Raw Materials and Components	☐	☐	☐	☐	☐
Hiring of Executives & Managerial Staff	☐	☐	☐	☐	☐
Sale Targets and Policies at Export Markets	☐	☐	☐	☐	☐

C.5. This question aims to find out how you think of the position and role of foreign partner within the JV. Could you please kindly indicate to what extent you agree or disagree with the following statements concerning the foreign partner of the joint venture.

	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree
On the whole, the contributions of the foreign partner to the JV have been less than expected.	☐	☐	☐	☐	☐
The technological contributions of foreign partner to the JV become commercially obsolete in a short span of time.	☐	☐	☐	☐	☐
The foreign partner is always willing to share any kind of technological and managerial knowledge when the local partner demands.	☐	☐	☐	☐	☐
The foreign partner keeps tight control over the advance technologies, industrial designs, trade secrets and technical know-how it brings to the JV.	☐	☐	☐	☐	☐
The foreign partner's trademarks, patents, industrial design rights and trade dress are firmly protected by the joint venture	☐	☐	☐	☐	☐

agreement that the parent company of local partner is not able to undertake any independent enterprise of the similar product under its own brand.					
The foreign partner mostly provides trademarks, technology and access to global markets while the local partner of the joint venture mostly provides the manufacturing capabilities, and the conduct of relations with government and workforce.	☐	☐	☐	☐	☐
The top managerial positions at the JV are mainly held by expatriates, and local personnel are relatively given little opportunity to participate in the top management.	☐	☐	☐	☐	☐
Within the JV, the foreign partner has a greater deal of bargaining power vis a vis the local partner.	☐	☐	☐	☐	☐

C.6. Are there any areas of knowledge, expertise and technology that the foreign partner is not willing to share with the local one? If yes, please specify what they are and why this might be the case.

:……..

C.7. Overall, how would you evaluate relationships between the foreign and local partners? Particularly, please specify what the main areas of conflict, collaboration and competition are in their relationship with each other.

:……..

C.8. Have the local partner ever considered becoming an auto assembler under its own brand name instead of operating as the partner of a giant automaker(s). If yes, could you please indicate when it considered such an alternative, and what factors held it back from doing so up to this time.

:……..

D. <u>The Respective Roles of Partners in Production and Process Upgrading</u>

D.1. What are the major products your firm produces?

:……....

D.2. On an average, what proportion of your firm's annual production is exported to the international markets? Please tick the appropriate box below.

☐ Almost none ☐ Less than 25 percent ☐ 25-50 percent

☐ 51-75 percent ☐ More than 75 percent ☐ Almost all

D.3. What are the main export markets where your firm trades? Please tick one or more boxes as appropriate and if possible indicate their respective shares in your total sales.

☐ Germany: …..% ☐ France: …...% ☐ Italy: …..%

☐ The United Kingdom: ……% ☐ Russian Federation

☐ Other(s) specify: ……..

D.4. What type of manufacturing role(s) has the local partner performed within the JV since the early 2000s? Please tick one or more box(es) as appropriate, and please specify on the average what percentage(s) of your total production are realised under the selected type(s) of manufacture.

☐ Simple fabrication and primarily employing barrowed technology: ……..%

☐ Replacement Equipment Manufacturer (REM): ……%

☐ Contract Manufacturer (CM): ……%

☐ Original Design Manufacturer (ODM): ……...%

☐ Original Equipment Manufacturer (OEM): ……..%

☐ Original Brand Manufacturer (OBM): ……%

D.5. How has the type of manufacturer role the local partner perform changed over the last one and half decades? How and to what extent has the local partner involved in business activities such as original design manufacturing, original equipment manufacturing or original brand manufacturing? More in particular, please specify what factors -internal and external- contributed such a change in local partner's manufacturer role.

:……...

D.6. How has the volume, range and quality of your products changed over the last one and half decades? Has the volume and range of products has been changed along with quality improvements? If so, please specify what sort of external and internal factors has contributed such a change in your production.

:……...

D.7. If the volume, range or quality of the products have changed over the period in question, how and to what extent do you think the local and foreign partners have actively involved in this process? More in particular, please specify the respective roles of both partners in such a change in your production.

:……...

D.8. If the range of your products have changed over the period in question, do you think the new product range involves higher value added products compared to the previous one? In other words, has your firm introduced into the market technologically new or improved products and any new brands or brand extensions? If so please specify the respective roles of partners in this process.

:……...

D.9. Over the last one and half decades, has your firm ever invested in advanced production process technologies, new machinery, equipment or production facilities? If so, please kindly elaborate (1) what sort of process technologies, machinery, equipment and facilities you firm has installed, (2) what motivations and incentives have laid behind the investment decision and (3) How and what sort of roles the local and foreign partner have played respectively.

:……...

E. Research and Development

E.1. Does the Joint Venture have its own in-house R&D unit? If yes, please kindly be elaborative on the years of establishment, the annual budget allocated to R&D, the scope and limitations of the R&D activities undertaken within the unit, the main achievements that have been accomplished so far.

:……...

E.2. What is the importance of the R&D unit for the foreign partner and its global production strategy? More in particular, please specify, what sort of functions the R&D unit performs within the global production strategy of the foreign partner, and how the local partner has involved in this process.

:……...

E.3. Over the last one and half decades, have your firm perform R&D on the state-of-art products or technologies that have already affected or is expected to affect your firm's position in the global automotive industry? If so, please kindly state what these products and technologies have been, and what kind of role the local partner has played in this process.

:……...

E.4. Over the one and half decades, what, if any, have been the main problems your firm encountered in developing R&D within its own R&D unit? How have you coped with these problems? In that case, what sort of supports have you received from the foreign partner, state-owned research institutions or universities respectively?

:……...

F. The Nature of Relationship with Suppliers and Technology/Knowledge Sharing

F.1. To the best of your knowledge, how many suppliers does your firm have approximately? And, on an average, what proportion of your supplied components is sourced from domestic markets?

:……....

F.2. In general, what kind of components or parts does your firm source from domestic and foreign suppliers respectively? Are there any components or parts you only procure from international markets?

:…….…….....

F.3. In your opinion, how important are the following criteria for your firm when selecting the ideal auto component/part supplier for your business? In each row, please tick the appropriate box according to the below given scale of 1-5

1	2	3	4	5
Not Important	Slightly Important	Moderately Important	Important	Very Important
☐	☐	☐	☐	☐

	1	2	3	4	5
Ability to keep cost levels low	☐	☐	☐	☐	☐
Payment terms and condition	☐	☐	☐	☐	☐
Compliance with quality standards	☐	☐	☐	☐	☐
Response speed and the delivery of products on time	☐	☐	☐	☐	☐
Ability to meet current and potential capacity requirements	☐	☐	☐	☐	☐
Levels of skill and equipment	☐	☐	☐	☐	☐
Past business experiences with the supplier	☐	☐	☐	☐	☐
Decent working conditions and fair terms of trade for workers	☐	☐	☐	☐	☐
Social Responsibility	☐	☐	☐	☐	☐
Other specify:	☐	☐	☐	☐	☐

F.4. How and to what extent your firm involves the suppliers in the process of product development and design? Does your firm provide any technological, managerial or financial support to the suppliers that you work with?

:…….…….....

F.5. Does you firm have any particular policy/policies for local procurement? If so, please kindly state what sort of policy/policies your firm has towards the local suppliers in Turkey, particularly towards ones who are domestically-owned

:…….…….....

G. The Nature State-Business Relations and the Role of State in the Automotive Industry

G.1. Overall, to what extent have you been satisfied or dissatisfied with the government policies towards automotive industry? Please tick the appropriate box on the given below scale.

Not all Satisfied	Not Satisfied	Partially Satisfied	Satisfied	Highly Satisfied
☐	☐	☐	☐	☐

G.2.In each of the following aspects, to what extent do you think state has played an instrumental and effective role since the early 2000s in favour of the overall industry in general and automotive sector in particular? Please tick your response for both the overall industry and the automotive industry according to the below given scale of 1-5.

1	2	3	4	5
No Extent	Little Extent	Some Extent	Great Extent	Very Great Extent
☐	☐	☐	☐	☐

	The Overall Industry					Automotive Sector				
	1	2	3	4	5	1	2	3	4	5
Providing Sector-specific subsidies	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Providing tax incentives exemptions for industrialists	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Providing favourable financial support for start-up firms	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Encouraging domestic industrialists vis-à-vis global firms and rivals	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Creating an attractive and favourable investment environment for foreign firms	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Developing effective networks among firms and business associations and the state	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Supporting university-industry collaboration	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Fostering cutting-edge innovations through state-owned R&D institutions	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Consolidation of a knowledge-based economy increasingly geared towards higher value-added activities	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Investing effectively in human capital	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Other:	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

G.3. Do you think that the relations, interactions and dealings between the state and business in automotive sector have been institutionally structured in an effective and collaborative manner? If not, please specify your reasons and better ways of improving the existing relations and institutional channels between the state and business in Turkey.

:…….....

G.4. Specifically, what, if any, are your complains about state's attitudes and policies towards the automotive firms in Turkey?

:…….....

G.5. Since the early 2000s, have you ever benefited from any sorts of government grants, incentives or R&D support? If yes, please specify what sorts of grants, incentives or R&D support they were, and what the positive and negative aspects were of the grants/incentives/support you have benefited from.

:…….....

H. Employment and Industrial Relations

H.1. Approximately, what are the percentages of workers employed under the following employment type?

- temporary work is …….% and permanent work is…….%
- a definite period is …….% and an indefinite period is ……%
- part-time work is …….% and full-time work is ……%

H.2. At your workshop, would we say that every worker has similar working conditions and employment terms regardless of his/her contractual status or the job he/she performs? If not, please specify how the working conditions and employment terms differs from worker to worker and what determines such a differentiation.

:…….....

H.3. How do you control and ensure the working discipline and productivity at your workshop?

:…….....

H.4 How do your firm manage to survive in such a competitive market structure? Do you take any cost-cutting measures at your workshop to improve the market competitiveness of your firm? If so, what they are.

:…….....

H.5. How do you determine a salary increase/pay rise at your workshop? Do you negotiate it with the workshop employees?

:…….....

H.6. Overall, what is your firm's attitude towards the trade unionism and labour activism at the workshop? Particularly, how do you evaluate your relations with the union representatives and unionised workers at your firm?

:…….....

H.7. Over the one and half decades, what, if any, have been the main issues you faced with regards to the workforce at your workshop? Have workshop employees caused any trouble? If so, please specify what kind of problem and how you have solved them.

:…….....

Appendix 6: Interview and Survey Questions for Auto Component Manufacturers

A. General Profile of Respondent

A.1. Name of respondent:
……...

A.2. Name of company:
……..

A.3. Please identify your position at the company

:……..

A.4. How many years of working experience do you have in automotive sector?

……..years

B. General profile of Company

B.1.In what year was your company founded?

:…….

B.2. How many people are currently employed at your company? Please tick the appropriate box below.

☐ 1-9 ☐ 10-49 ☐ 50-99 ☐ 100-149

☐ 150-249 ☐ More than 249, please specify: …….

B.3. Taking the preceding financial years as point of reference, what is the average revenue your company realize annually?

…… Turkish Lira

C. Firm's Articulation into Global Value Relations

C.1. What types of business network has your firm established, and has been operating within up to the present? In each row, please tick the relevant box which best suits you.

Type of Business Network	Yes	No

Intra-Firm Network	Operating as a subsidiary of global manufacturer	☐	☐
	Operating as a local partner of equity-based JV	☐	☐
	Operating as a local partner of non-equity based JV	☐	☐
Supply Network	Having supply relation with global customer(s)	☐	☐
	Having supply relation with major car assembler(s) in Turkey	☐	☐
	Having supply relation with upper tier Supplier(s)	☐	☐
	Other, specify:	☐	☐

If your company is not operating within an intra-firm business network, please skip two succeeding questions below and directly go to the question C.4.

C.2. If your firm has been operating as a local shareholder with global manufacturer, could you please specify with which global manufacturer your firm has been in a shareholdership and how the equity shares are currently distributed among the shareholders.

Name of foreign partner: …….....

Share of local partner: …..% Share of foreign partner:…. % Publicly owned share:….%

C.3. If your firm has been operating as a local partner within an intra-firm network, could you please kindly indicate how decisions on the following matter are usually taken between your firm and the foreign partner? In each row, please tick your response based on the information box given below.

1- Decisions are usually taken by the foreign partner alone
2- Decisions are usually taken by the foreign partner after consulting with your firm
3- Decisions are usually taken jointly by both partners
4- Decisions are usually taken by your firm after consulting with the foreign partner
5- Decisions are usually taken by your firm alone

	1	2	3	4	5
Royalty Payments	☐	☐	☐	☐	☐
Product Development & Research	☐	☐	☐	☐	☐
Renovating/Designing of Production Process	☐	☐	☐	☐	☐
Product Pricing	☐	☐	☐	☐	☐
Launching New Investment Projects	☐	☐	☐	☐	☐
Sourcing of Raw Materials and Components	☐	☐	☐	☐	☐
Hiring of Executives & Managerial Staff	☐	☐	☐	☐	☐
Sale Targets and Policies at Export Markets	☐	☐	☐	☐	☐

C.4. If your firm operates either as a local partner of intra-firm network or a supplier of global and domestic buyers, to what extent has your firm been involved in following activities or functions since the early 2000s? In each row please, tick your response according to the below given scale of 1-5.

1	2	3	4	5
Not involved at all	Involved a little	Somewhat involved	Very much involved	Completely Involved
☐	☐	☐	☐	☐

	1	2	3	4	5
Development of new products	☐	☐	☐	☐	☐
Development of new design and specification	☐	☐	☐	☐	☐
Development of new methods/processes of production	☐	☐	☐	☐	☐
Suggesting improvements or modifications in product features	☐	☐	☐	☐	☐
Development of new R&D capabilities	☐	☐	☐	☐	☐
Branding and Brand Extension	☐	☐	☐	☐	☐
Determining sale targets and policies at export markets	☐	☐	☐	☐	☐

C.5. In your supplier relationship with global buyers, the major auto manufacturer or upper tier suppliers in Turkey, could please specify how high the share of the first two most major buyers is in the total sale of your firm? Please tick the box which suits you best.

☐ Less than 25% ☐ 25-50% ☐ 51-75 ☐ More than 75% ☐ Almost all

C.6. In your opinion, how important are the following factors for your buyers -both global and domestic- when they are selecting the ideal auto component suppliers for their business. In each row, please tick the appropriate box according to the below given scale of 1-5.

1	2	3	4	5
Important	Slightly Important	Moderately Important	Important	Very Important
☐	☐	☐	☐	☐

	1	2	3	4	5
Ability to keep cost levels low	☐	☐	☐	☐	☐
Payment terms and condition	☐	☐	☐	☐	☐
Compliance with quality standards	☐	☐	☐	☐	☐
Response speed and the delivery of products on time	☐	☐	☐	☐	☐
Ability to meet current and potential capacity requirements	☐	☐	☐	☐	☐
Past business experience with the supplier	☐	☐	☐	☐	☐

Decent working conditions and fair terms of trade for workers	☐	☐	☐	☐	☐
Social responsibility	☐	☐	☐	☐	☐
Other specify:	☐	☐	☐	☐	☐

C.7. In your supplier relationship with the global and domestic buyers, how do you agree on the price of products? Is the final price usually closer to your initial quote or the buyers' price offer?

:…….....

C.8. Do you think there is price cutting war among the auto component/part firms? If so, please specify what sort of price cutting strategies that firms mostly apply to, and what kind of common efforts firms adopt to prevent the price cutting practice.

:…….....

C.9. If your firm stopped working with largest buyers and switched to alternative buyers in the market, how do you think it would affect your firm? To exemplify, do you think you would lose any investment, sale or knowledge that have been particularly associated with products and process specification of your current major buyer?

:…….....

C.10. Overall, how would you assess your relationship with global automotive giants and the major car assemblers in Turkey? In particular, please be more elaborative on the areas of conflict, collaboration and competition in your relationship with each other.

:…….....

C.11. In your relations with the global auto giants or major car manufacturers in Turkey, are there any areas of technology, knowledge and expertise that they are not willing to collaborate or do not want to share with you? If so, please specify what they are and why this may be the case.

:…….....

D. <u>Product and Process Upgrading in Intra/Inter Business Networks</u>

D.1. What are the major products your firm produces?

:……...

D.2. On an average, what proportion of your firm's annual production is exported to the international markets? Please tick the appropriate box below.

☐ Almost none ☐ Less than 25 percent ☐ 25-50 percent

☐ 51-75 percent ☐ More than 75 percent ☐ Almost all

D.3. What are the main export markets where your firm trades? Please tick one or more boxes as appropriate and if possible indicate their respective shares in your total sales.

☐ Germany: …..% ☐ France: …...% ☐ Italy: …..%

☐ The United Kingdom: ……% ☐ Russian Federation

☐ Other(s) specify: ……

D.4. What type of manufacturing role(s) has your firm (or the local partner) performed since the early 2000s? Please tick one or more box(es) as appropriate, and please specify on the average what percentage(s) of your total production are realised under the selected type(s) of manufacture.

☐ Simple fabrication and primarily employing barrowed technology: ……..%

☐ Replacement Equipment Manufacturer (REM): ……%

☐ Contract Manufacturer (CM): ……%

☐ Original Design Manufacturer (ODM): ……...%

☐ Original Equipment Manufacturer (OEM): ……..%

☐ Original Brand Manufacturer (OBM): ……%

D.5. How has the type of manufacturer role your firm perform changed over the last one and half decades? How and to what extent has your firm involved in business activities such as original design manufacturing, original equipment manufacturing or original brand manufacturing? More in particular, please specify what factors -internal and external- contributed such a change in local partner's manufacturer role.

:……...

D.6. How has the volume, range and quality of your products changed over the last one and half decades? Has the volume and range of products has been changed along with quality improvements? If so, please specify what sort of external and internal factors has contributed such a change in your production.

:……...

D.7. If the volume, range or quality of the products have changed over the period in question, how and to what extent do you think your partner or buyers have actively involved in this process?

:……...

D.8. If the range of your products have changed over the period in question, do you think the new product range involves higher value added products compared to the previous one? In other words, has your firm introduced into the market technologically new or improved products and any new brands or brand extensions? If so please specify how such a change has occurred in your production.

:……...

D.9. Over the last one and half decades, has your firm ever invested in advanced production process technologies, new machinery, equipment or production facilities? If so, please kindly elaborate (1) what sort of process technologies, machinery, equipment and facilities you firm has installed, (2) what motivations and incentives have laid behind the investment decision and (3) How and what sort of roles your business partner or buyers have played in this process.

:……...

E. Research and Development

E.1. Does your firm have its own in-house R&D unit? If yes, please kindly be elaborative on the years of establishment, the annual budget allocated to R&D, the scope and limitations of the R&D activities undertaken within the unit, the main achievements that have been accomplished so far.

:……...

E.2. Over the last one and half decades, have your firm perform R&D on the state-of-art products or technologies that have already affected or is expected to affect your firm's position in the global automotive industry? If so, please kindly state what these products and technologies have been, and what kind of role your partner or buyers has played in this process.

:……...

E.4. Over the one and half decades, what, if any, have been the main problems your firm encountered in developing R&D within its own R&D unit? How have you coped with these problems? In that case, what sort of supports have you received from the business partner, buyers, state-owned research institutions or universities respectively?

:……...

F. The Nature State-Business Relations and the Role of State in the Automotive Industry

F.1. Overall, to what extent have you been satisfied or dissatisfied with the government policies towards automotive industry? Please tick the appropriate box on the given below scale.

Not all Satisfied	Not Satisfied	Partially Satisfied	Satisfied	Highly Satisfied
☐	☐	☐	☐	☐

F.2.In each of the following aspects, to what extent do you think state has played an instrumental and effective role since the early 2000s in favour of the overall industry in general and automotive sector in particular? Please tick your response for both the overall industry and the automotive industry according to the below given scale of 1-5.

1	2	3	4	5
No Extent	Little Extent	Some Extent	Great Extent	Very Great Extent
☐	☐	☐	☐	☐

	The Overall Industry					Automotive Sector				
	1	2	3	4	5	1	2	3	4	5
Providing Sector-specific subsidies	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Providing tax incentives exemptions for industrialists	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Providing favourable financial support for start-up firms	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Encouraging domestic industrialists vis-à-vis global firms and rivals	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Creating an attractive and favourable investment environment for foreign firms	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Developing effective networks among firms and business associations and the state	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Supporting university-industry collaboration	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Fostering cutting-edge innovations through state-owned R&D institutions	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Consolidation of a knowledge-based economy increasingly geared towards higher value-added activities	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Investing effectively in human capital	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Other:	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

F.3. Do you think that the relations, interactions and dealings between the state and business in automotive sector have been institutionally structured in an effective and collaborative manner? If not, please specify your reasons and better ways of improving the existing relations and institutional channels between the state and business in Turkey.

:…….....

F.4. Overall, how would you evaluate the relationship among domestic firms in the automotive sector? Do you think there is a collective and collaborative atmosphere among them which is effectively geared to solving the common problems of the automotive firms in Turkey?

:…….....

F.5. Does your firm have any institutional affiliations with business federations, associations or networks in Turkey. If so, please specify which business

federations/associations/networks your firm is affiliated with and how and to what extent these affiliated institutions represent your commercial interests and promote the overall progress of your firm.

:…….....

F.6. Specifically, what, if any, are your complains about state's attitudes and policies towards the automotive firms in Turkey?

:…….....

F.7. Since the early 2000s, have you ever benefited from any sorts of government grants, incentives or R&D support? If yes, please specify what sorts of grants, incentives or R&D support they were, and what the positive and negative aspects were of the grants/incentives/support you have benefited from.

:…….....

G. Employment and Industrial Relations

G.1. Approximately, what are the percentages of workers employed under the following employment type?

- temporary work is …….% and permanent work is…….%
- a definite period is …….% and an indefinite period is ……%
- part-time work is …….% and full-time work is ……%

G.2. At your workshop, would we say that every worker has similar working conditions and employment terms regardless of his/her contractual status or the job he/she performs? If not, please specify how the working conditions and employment terms differs from worker to worker and what determines such a differentiation.

:…….....

G.3. How do you control and ensure the working discipline and productivity at your workshop?

:…….....

G.4 How do your firm manage to survive in such a competitive market structure? Do you take any cost-cutting measures at your workshop to improve the market competitiveness of your firm? If so, what they are.

:…….....

G.5. How do you determine a salary increase/pay rise at your workshop? Do you negotiate it with the workshop employees?

:…….....

G.6. Overall, what is your firm's attitude towards the trade unionism and labour activism at the workshop? Particularly, how do you evaluate your relations with the union representatives and unionised workers at your firm?

:…….…….....

G.7. Over the one and half decades, what, if any, have been the main issues you faced with regards to the workforce at your workshop? Have workshop employees caused any trouble? If so, please specify what kind of problem and how you have solved them.

:…….…….....

Appendix 7: Interview Questions for Policy Makers, Business Representatives and Experts in the Automotive Industry

A. General Profile of Respondent

A.1. Name of respondent:
……...

A.2. Name of institution:
…….

A.3. Name of department where respondent works in:
……...

A.4. Please identify your current position and tasks you perform within the department

: …….

A.5. How long have you been working at your current institution/organization?

:

…….

A.6. Before the current institution/organization you work for, did you work at any other firm/institution/organization that was somehow related the automotive industry? If so for which firm/institution/organization you worked for and what sort of duties/tasks you performed.

:…….

A.7. In total, how many years of working experience do you have within/related to the automotive industry?

: ……years

B. Roles, Activities and Linkages of the Respondent's Institution within the Auto Industry

B.1.With broad strokes, what type of roles and activities does your institution perform within the Turkish auto industry?

: …….

B.2. On the whole, how successful or unsuccessful do you think your current institution has been in carrying out and fulfilling its roles and activities related to the auto industry?

: …….

B.3. More in particular, what sort of supports or assistances does your institution offer automotive firms to foster their capabilities in issues such as export competitiveness, financial robustness or innovativeness in production and marketing? Please particularly specify how and in what forms these assistances or supports get delivered and how effective they have been so far?

: …….

B.4. Over the last one and half decades, what kind of linkages/relationships has your institution established and maintained with domestic firms, business associations and state institutions which are somewhat related to the auto industry?

: …….

B.5. How and to what extent do you think the established linkages/relationships between your institution and the other parties have been successful or unsuccessful in promoting domestic auto firms and the overall auto industry in Turkey?

: …….

B.6.Taking the established linkages/relationships into consideration, what, if any, have been the outstanding areas of discordance or conflict between your institution and other parties?

: …….

B.7. On the whole, do you think that the linkages/relationships between your institution and the other parties have culminated in a well-coordinated and well-sustained process of cooperation in institutional terms? If so, please specify how and in what ways it has been actualised and what the main achievements and failures have been so far.

: …….

C. <u>The Historical Progress of Turkish Auto Industry and its Respective Position within the Global Automotive Production</u>

C.1. In retrospect, how would you assess the progress and evolution of Turkish automotive industry? In your assessment, please particularly be elaborative on the main milestones in development of the auto industry and the respective roles of foreign capital, state and domestic industrialists in both the positive and negative ways.

: …….

C.2. More particularly, how would you evaluate the recent progress of the automotive industry in Turkey since the early 2000s? Do you see any rupture with the preceding periods? If so, please specify how and in what terms.

: …….

C.3. In comparative perspective, how would you position the Turkish automotive industry within the broader context of global automotive production? More in

particular, please share your positive and negative impressions on the Turkish auto industry by paying regard to other newly industrialised countries of the last 30-40 years such as South Korea, Taiwan, Brazil, Mexico, India and so forth.

: …….

C.4. In comparison to the first-tier newly industrialised countries such as South Korea and Taiwan, what, if any, are the rights and wrongs that have affected the overall progress and success of the automotive sector in Turkey. If possible, please be elaborative on the matter by particularly taking into account the roles and impacts of state and business respectively.

: …….

D. FDI Regime and State's Policies Towards Foreign Capital

D.1. In retrospect, how would you evaluate the overall attitude state towards foreign capital and its operations within the automotive industry? More particularly, please do comment on how the ongoing interplay and relationship between the state and global auto companies has affected the development of automotive industry in Turkey

: …….

D.2. More in particular, how would you assess the recent policies of government towards foreign capital and the foreign auto firms in the last one and half decades? Do you think Turkish state has designed and adopted effective FDI regime and policies in line with the requirements of the auto industry and domestic firms?

: …….

D.3. Taking the current state and dynamics of auto industry into consideration, what, if any, are the positive and the negative impacts of the foreign capital on the development of auto industry in Turkey?

: …….

E. The State-Business Relations and the Institutional Mechanism in Turkish Automotive Industry

E.1. In retrospect, do you think that the relations, interactions and dealings between the state and business in automotive sector have been institutionally structured in an effective and collaborative manner? If not, please specify your reasons and better ways of improving the existing relations between the state and business relations in Turkish automotive industry.

: …….

E.2. In your opinion, how has the state-business relations in automotive sector particularly changed over the last one and half decades? And, how and in what ways has the automotive sector been affected by these changes over the period in question?

: …….

E.3. What are the leading official and quasi-official institutions and business associations which take role in shaping the overall structure and dynamics of auto industry in Turkey?

: …….

E.4. To what extend the institutions and associations in automotive sector are capable to act collectively for benefit of domestic auto firms as a whole and to promote the enhancement of efficiency, adaptability, know-how, and innovation within the overall auto industry?

: …….

E.5. Do you think that the inter-business relations in Turkish automotive sector have been generated and built up on an effective, steady and collaborative institutional mechanism? If not, please specify in what terms and why not?

: …….

E.6. Over the last one and half decades, to what extent do you think the business world in Turkey has been capable to act collectively and to find common solutions to the problems in the auto sector?

: …….

E.7. In your opinion, what improvements should be mutually made by state institutions and business associations to strengthen the competitiveness and the market position of Turkish auto industry within the global economy?

: …….

F. Foreign Capital, Domestic Firms and the Overall State of Auto Industry in Turkey

F.1. In retrospect, what, if any, have been the positive and the negative impacts of foreign capital on the development of auto industry in Turkey?

: …….

F.2. What opportunities and facilities do you think the giant automakers and global component manufacturer are capable of offering that are not currently achievable by the domestic firms? And, what sort of measures and strategies should be adopted to actively benefit from these opportunities/facilities?

: …….

F.3. Why do you think the global auto giants or foreign original equipment manufacturers subcontract their design, production and even the R&D activities out to the domestic auto firms in Turkey?

: …….

F.4. Do you think there are any areas of activity or expertise that global auto giants or foreign original equipment manufacturers are not willing to subcontract to or cooperate with domestic auto firms in Turkey? If so, please specify what these are and why they are not willing to cooperate in these areas.

: …….

F.5. For Turkish auto assemblers, setting up and running an international joint venture (JV) has historically been one of the most favoured business strategy to achieve technology transfer, managerial and organizational know-how and international

competitiveness in export markets. How and to what extend do you think domestic auto makers have been successful in achieving such goals and benefiting from their foreign partners?

: …….

F.6. What do you think are the major barriers/challenges encountered by Turkish auto companies in seeking access to cutting-edge technologies and production methods, and becoming truly global players in export markets? How and in what ways do you think these barriers or challenges can be overcomed? And what measures should be taken on the side of state and business to overcome these obstacles/challenges.

: …….

F.7. Given the existing production capabilities and know-how in Turkish automotive industry, how close do you think domestic auto makers are to producing a truly "made in Turkey" car under its own brand, rather than one produced for multinational auto giants.

: …….

G. Incentives, Finance and the Role of State in Turkish Auto Industry

G.1. How would you evaluate the overall incentives and supports that the state has offered the automotive firms in the last one and half decades? More in particular, please specify how sufficient and effective the investment incentives and technological supports that the state has provided so far.

: ……..

G.2. On the whole, how and to what extent do you think state-owned or private financial institutions have played effective role in assisting domestic auto firms to start up and expand their business and gain competitiveness in global export markets?

: ……

G.3. Overall, how would you asses the innovation and R&D policy in Turkish automotive industry? What are the main institutions which shape the innovation and R&D policy in the automotive industry? In practice, how and to what extent do you think these institutions are successful in fostering innovation and R&D activities? Are there any drawbacks or short-comings in their activities and policies?

: ……..

G.4. How would you evaluate the development and management of human capital in Turkey? In your opinion, what are the positive and negative aspects of the human capital policy of state?

: ……

G.5. As you know, the state has undertaken a series of structural reforms and institutional transformations since the early 2000s through which the economy has been increasingly integrated into complex networks of global production. How do you think the automotive industry has been affected by all these developments in Turkish political economy?

: ……

G.6. As you know, on several occasions, the president Recep Tayyip Erdogan has appeal to local auto makers to produce a domestic car under a national brand name, but on the side of business his appeal hasn't been keenly welcomed by the domestic car assemblers. Why do you think president's appeal hasn't been embraced by the domestic auto makers and has led to a sort of collective project between state and business?

: ……..

G.7. How would you assess Turkey's national car project which has been recently announced by the Minister of Science, Industry and Technology, and have been carrying out within TUBITAK. Will it bring forth a global auto brand of Turkey? Why, why not?

: ……..

H. The Future Prospect of Auto Industry in Turkey

H.1. From your point of view, how do you foresee the future prospect of Turkish automotive industry in its general terms?

H.2 Is there anything else you would like to add or that you think hasn't been covered by the interview despite its importance?

Appendix 8: Interview and Survey Questions for Auto Workers

A. General Profile of Respondent

A.1. Name of Respondent:
A.2. Gender: Female ☐ Male ☐
A.3. Age:

<15 ☐ 16-20 ☐ 21-25 ☐ 26-30 ☐ 31-35 ☐ 36-40 ☐
41-45 ☐ 46-50 ☐ 51-55 ☐ >51 ☐

B. Work Background, Recruitment and Contractual Status

B.1. What workshop do you work at?

……..
B.2. What is the main activity of the workshop you work for?

……..
B.3. How many people are currently employed at your workshop? Please tick the appropriate box provided.

1-9 ☐ 10-49 ☐ 50-99☐ 100-149 ☐ 150-249☐ More than 249 ☐

B.4. Could you please identify your title of position and task at the workshop?
……..
B.5. How long have you been working at your current worksite?

.....months ……..years
B.6 In total, how many years of working experience do you have in automotive sector?

……..years
B.7. If you worked at another workshop/s before, what kind of work did you perform and what were your reasons for leaving your previous workplace/s.

…….....
B.8. At your current worksite, are you employed under a contract of employment?

Yes ☐ No ☐
B.9. Is your employment contract written or oral?

Written ☐ Oral ☐
B.10. Under what kind of employment contract are you currently employed? Please specify by ticking appropriate box(es) below.

- Employment contract for ☐ temporary or ☐ permanent work.
- Employment contract for ☐ a definite period or ☐an indefinite period.
- Employment for ☐ part-time or ☐ full-time work.
- Employment contract for ☐ work-upon-call.
- Employment contract constituted with ☐ a team contract.
- Other kind of employment contract ☐ please specify ……..

B.11. If you work at another workshop before, what was the contractual status of your previous employment?

…….....

C. <u>Wage, Social Security and Non-wage benefits</u>

C.1. How much salary (after taxes) do you earn on average per month? Please tick the appropriate box as provided.

Less than 1000 TL ☐ 1001-1500 TL ☐ 1501-2000 ☐ 2001-2500 ☐
2501-3000 TL ☐ 3001-3500 TL ☐ More than 3500, specify ☐ :….....
C.2. With broad strokes, to what extent are you satisfied or dissatisfied with your monthly salary? Please tick the appropriate box on the given below scale.

Not all Satisfied	Not Satisfied	Partially Satisfied	Satisfied	Highly Satisfied
☐	☐	☐	☐	☐

C.3. Do you think that in general the employer pay the wage you deserve? If not, please specify your reasons.

……..

C.4. How often do you get a wage rise? Please tick the appropriate box provided.

Never ☐ Once every six months ☐ Once a year ☐

Once every……years ☐ Other, please specify ☐: …….....

C.5.In general, how would you rate the increases in your wage on a scale of 1-5, with 1 being "very poor" and 5 being "very good"

Very Poor	Poor	Fair	Good	Very Good
☐	☐	☐	☐	☐

C.6. Are you currently employed under the social security scheme?

Yes ☐ No ☐

C.7. Throughout your employment history since the late 1990s, have you always been employed under the social security scheme? If not, please specify how many years on average did you work without receiving social security benefits.

Yes ☐ No ☐ :…….. years

C.8. Throughout your employment history since the late 1990, have your social security premiums been always paid as predicated on your gross earnings? If not, please specify how many years on average your social security premiums have disproportionately paid as not based on your real earning ?

Yes ☐ No ☐ :…….. years

C.9. Excluding social security benefits, are there any non-wage/fringe benefits provided to you by your current employer? If so please tick the appropriate box or boxes provided below.

Private Health Insurance ☐ Housing Allowance ☐ Travel Allowance ☐

Paid Sick (paid) ☐ Paid Vacation ☐ Disability Income Protection ☐

Child Day Care ☐ Free or Subsidised Meals ☐ Funding For Education ☐

Other sort of benefit/s ☐ :……

C.10. Throughout your employment history since the early 2000s, have your wage and non-wage/fringe benefits ever been cut? If so, please specify how often, in what ways and why.

.....

.....

D. <u>Overall Working Conditions</u>

D.1. How many days per week do you usually work?

…….days

D.2. What are the standard hours of work per day?

……hours during the week, ……hours on Saturdays, ……..on Sundays.

D.3.Taking the last one and half decades as reference point, how have the length of a normal working week changed in your own working life? Please tick the appropriate box on the scale given below.

Fairly Decreased	Decreased	Slightly Decreased	No Change	Slightly Increased	Increased	Fairly Increased
☐	☐	☐	☐	☐	☐	☐

D.4. In a standard working day, how many times are you entitled to have rest breaks and how long does each rest break take?

……
…….

D.5. Do you work in shifts or at night? If so, please specify how many shifts you work, and whether you get paid extra remuneration for working night shifts.

Yes ☐ No ☐

:……
…….

D.6. If you work in shifts, are you allowed to organise your shifts?

Yes ☐ No ☐

D.7. How often do you work overtime (more than 45 hours per week) at your workplace?

Very Frequently ☐ Frequently ☐ Occasionally ☐ Rarely ☐

Very Rarely ☐ Never ☐

D.8. On an average, how many hours of overtime do you usually work per month?

…….hours per month

D.9. Do you get paid extra remuneration for working overtime? If so, please specify, how and what percentage of normal hourly wage.

Yes ☐ No ☐

:……

D.10. Are you allowed to say no to overtime?

Yes ☐ No ☐

D.11. Have there been any cases in which you weren't paid for overtime working? If so, please specify how often and in what ways.

Yes ☐ No ☐

:……
……

D.12. What are the five most pressing problems you confront in terms of your overall working conditions? Could you please rank them in order from the most (1) to the least important one (5).Some of the potential problems are given in the box provided below.

You could select among them or you could write any other problem/s not mentioned here.

a) Long working hours	h) Job Insecurity
b) Not ordinary working hours	i) Lack of collective bargaining
c) Poor wage	j) Pace and intensity of work
d) Poor non-wage benefits	k) Harsh discipline at worksite
e) Wage cuts	l) Mobbing
f) Cuts in non-wage benefits (excluding social security benefits)	m) Poor health and safety conditions at worksite
g) Totally or partially unpaid social security benefits	n) Unfair treatment or discrimination at worksite

The five most important problems:

1)……

2)……

3)……....

4)……

5)……

D.13 Overall, how would you evaluate the changes in your working conditions in the last one and half decades? Please elaborate how and in what terms your working conditions have been better or worse off.

:……

……

D.14. In this question, I would like to find out how the following aspects of your work have changed since you started working at your current workshop. Ticking the appropriate box in each row, please indicate to what extent you agree or disagree with the following statements. (If you have been working at the same workshop more than 15 years, please only take the last 15 years of your working experience as point of reference)

	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Not Applicable
I have worked with new machines and tools	☐	☐	☐	☐	☐	☐
I have worked in a new work organization	☐	☐	☐	☐	☐	☐
I have worked in a new production method	☐	☐	☐	☐	☐	☐
I have attained new technical knowledge	☐	☐	☐	☐	☐	☐

I have had to work at a higher pace	☐	☐	☐	☐	☐	☐
I have had to cope with increasing workload	☐	☐	☐	☐	☐	☐
I have had to meet increasingly tight deadlines	☐	☐	☐	☐	☐	☐
I have had to do increasingly repetitive, monotonous tasks	☐	☐	☐	☐	☐	☐
I have had to handle increasingly tiring and painful tasks	☐	☐	☐	☐	☐	☐
I have been increasingly exposed to unhealthy and unsafe conditions at work	☐	☐	☐	☐	☐	☐

D.15. Have there been any technological progress or organizational change at your workshop in the last 10-15 years? If so please specify what they were and how they have affected you in terms of nature and type of work you perform and your overall working conditions.

……

……

D.16. Do you think there are any unfair treatment or discrimination at your workplace with respect to the working conditions, particularly regarding the employment terms, pay, benefits. Promotion opportunities, dismissal and the like.

……

……

D.17. Do you think that your health and safety at risk due to the working conditions at your workshop? If so, please specify how and in what ways.

Yes ☐ No ☐

:……

……

D.18. On the whole, to what extent are you satisfied or dissatisfied with changes in your working conditions over the last 10-15 years? Please tick the box which best suits you.

Completely Dissatisfied	Mostly Dissatisfied	Somewhat Dissatisfied	Neither	Somewhat Satisfied	Mostly Satisfied	Completely Satisfied
☐	☐	☐	☐	☐	☐	☐

E. Trade Unionism, Collective Bargaining and Industrial Action

E.1. Are you a member of a trade Union?

Yes ☐ No ☐

E.2. If you are a union member, which trade union are you a member of, and how many years have you been a member?

……...

E.3. If you are not currently a union member, have you ever been a member of trade union before?

Yes ☐ No ☐

E.4. If you were formerly a union member, which trade union was it and why did you revoke your membership?

……
……

E.5. Whether or not you are a trade union member, what is your general attitude towards trade unions? Please tick the box which best suits you.

Very Unfavourable	Unfavourable	Somewhat Unfavourable	Neutral	Somewhat Favourable	Favourable	Very Favourable
☐	☐	☐	☐	☐	☐	☐

E.6. Over the last one and half decades, has/have your employer(s), either explicitly or implicitly, pressurised you to end or change your trade union membership? If so, please specify when and in what ways.

Yes ☐ No ☐

:……
……

E.7. In general, how does/would being a member of a trade union affect your relationship with your employers?

……
…….

E.8. Are there any difficulties of or challenges for being a trade union member at your current workplace? If any, please explain what sort of difficulties or challenges they are.

……
……

E.9. Over last one and half decades, to what extend do you think the trade unions' role and power in the following aspects of your working life has changed? Please tick only one box in each row.

	Decreased Greatly	Decreased Slightly	Stay the Same	Increased Slightly	Increased Greatly	Non Applicable
Improving workers' job security	☐	☐	☐	☐	☐	☐
Improving contractual	☐	☐	☐	☐	☐	☐

status of workers						
Bargaining with employers to get better salary	☐	☐	☐	☐	☐	☐
Bargaining with employers to get better non-wage benefits	☐	☐	☐	☐	☐	☐
Limiting the length of working hours	☐	☐	☐	☐	☐	☐
Increasing the amount of paid annual leave	☐	☐	☐	☐	☐	☐
Lifting restrictions on sick/parental leave	☐	☐	☐	☐	☐	☐
Improving health and safety measures at workshop	☐	☐	☐	☐	☐	☐
Protecting workers against unfair treatment or discrimination at worksite	☐	☐	☐	☐	☐	☐

E.10. Overall, do you think that trade unions are truly effective in solving worker's problems in automotive industry? If not, please specify why and in what terms they fail to be effective.

……

……

E.11. When you and your co-workers have any problem related to your job and working conditions, how do you usually deal with it? Do you form an organized labour activity or seek collective response to your common problems at workshop?

:……

……

E.12. To the best of your memory, how often have you been attended or take part in the following actions in the last one and half decades? In each row, please tick the box which suits you best.

	Almost Never	Seldom	Sometimes	Often	Almost Always
Meetings of trade unions or labour organizations	☐	☐	☐	☐	☐
Protests or demonstrations for working conditions and labour rights	☐	☐	☐	☐	☐
Petition calling (including e-mail petitions) for working conditions or labour rights	☐	☐	☐	☐	☐
Strike action at work place or general strike	☐	☐	☐	☐	☐

Occupation of workshop	☐	☐	☐	☐	☐
Other industrial actions such as work-to-rule, go slow, overtime ban	☐	☐	☐	☐	☐

F. Education, Training and Skill Development

F.1. What is your level of education? Please tick the appropriate box provided below.

☐ Illiterate ☐ Literate ☐ Primary School ☐ Secondary School
☐ General High School ☐ Technical High School ☐ Foundation Degree
☐ Bachelor's Degree ☐ Other, please Specify:…….....

F.2. Over the last 10-15 years, have you received any training paid for or provided by your employer/s to develop your skills related to your job? If yes, please specify what kind of and how long.

Yes ☐ No ☐

:……
……

F.3. If you received any training paid for or provided by your employer/s in the last 10-15 years, how has it affected the nature of your job and your overall working conditions, particularly with respect to issues such as your employment terms, your monthly salary, non-wage benefits you receive and the pace and intensity of your work.

……
……

G. Global Buyers, End-User Markets and Working Conditions

G.1. Are you aware of the working conditions and labour activism in auto firms in Turkey and abroad? If yes, please specify what you think of the overall working conditions and labour activism in Turkey and abroad respectively, and how and in what terms this affect you.

G.2. Do you know which global buyers or major auto assemblers your workshop produces for? If so, please specify what they are and how long your workshop has produced for them.

G.3. In your opinion, what are the pros and cons of working for a workshop which directly sells its products to the global brands or major auto assemblers in Turkey?

G.3. Are you concerned about for which global buyers or major auto assemblers your workshop produce? If yes, please specify why and how it is related to your working conditions?

G.4. How important do you think is the role and function of your work within the whole production process? To what extent do you think the work you perform is crucial for your employer and the firms and buyers which you workshop produce for?

G.5. Have you ever heard code of business ethics, supplier code of conduct or fair trade? If yes, please specify what all these notions mean to you and how important or effectual they are in your work life.

G.6. Is your workshop visited by the audits or any other people, appointed by the global buyers or major auto assembler for which you workshop produce? If so, please specify how often they visits and what kind of changes you experiences at the workshop after their visits.

Appendix 9: Industrial Innovations and Class Relations

Time Period Schumpeter Mandel		Leading Sector (Schumpeter)	Labour Process (Mandel)	Forms of Workers Organization (Mandel)
1780s-1820s	1789-1848	Cotton, textiles, iron and water power-canals and miles	Craft workers operating water- and steam-powered machinery in small factories	Owenite unionism and Chartism
1840s-1870s	1848-1890s	Steel, steam, engines and railways	Industrial production of machines by specialized firms+emergence of specialist machine operators	Skill-based Unions
1890s-1920s	1890s-1930s	Industrial chemicals, electricity and intra-urban trams	Taylorist methods of production	Mass unionism
1940s-1970s	1930s-1960s	Internal combustion engine, petroleum and motor vehicles	Assembly lines	Great strike wave of 1968 and beyond
1980s-Present	1980s-Present	Digitalization, microelectronics and information	Continuous-flow, Just-in-time production	In formation See Selwyn's (2014) Chapter 5

Source: Derived by Selwyn (2014, p.120) from Schwartz (2010), Mandel (1980) and Schumpeter (1934, 1987).

Appendix 10: Two Main Pillars of Analytical Framework
(Complement Each Other)

Historical Structural Dependency Studies	GCCs/GVCs Analyses

Strengths		Limitations
Provides historically-specific, class-relational and multi-dimensional reading of capitalist development by shifting the focus of analysis from exogenous, structural, market- and exchange-based relations to internal factors, changing configuration of class forces, state-society relations and social relations of production.	→	Conceptualizes capitalism in a reductionist manner as exchange-based or market-based relations. By viewing capitalism in mainly market terms and exchange relations, GVC analysis implicitly or explicitly embraces a sort of neo-Smithian comprehension of capitalism and capitalist development in which capitalism is reduced to a system of production for profit making.
Industrial analysis in Dependent development approach is based on the mutually constitutive relations among the three partner of the alliance: The multinational corporations, state and the local capital so each actor is taken into consideration in examining the governance of global value chains. In connection with this, it puts special emphasis on domestic class configuration and state-society relations.	→	Inherently firm-centric that it obscures the multi-agential nature of chain governance and ignores the transformative role state in the governance of value chains.
Based on the simultaneous possibility of an alliance and robust bargaining, neither the dominance of multinationals nor the subordination of local capital is taken for granted. Rather it is assumed that both the local capital and the state enjoy certain political and economic advantages vis a vis the multinationals, varying from industry to industry and in the course of time.	→	Due to its overly emphasis on the firm to firm relations and the decisive role of transnational firms, both the matter of value chain governance and the discourse of economic upgrading has mainly remained limited to firm-based analysis, obscuring the transformative role of other actors such as state, local authorities and labour and conceive them as a passive bearers of imperatives of global value relations.
Lets us comprehend the uneven, exploitative and dependent nature of late capitalist development.	→	Due to its techno-industrial approach and it overly optimistic belief in the likelihood of upgrading it obscures and overlooks the exploitative and dependent nature of capitalist development.
Limitations		**Strengths**
Deprived of a set of well-structured conceptual tools to understand the new dynamics of global division of labour and new organization of industry and production on a global scale. Since it was proposed before the recent shifts in global economy, it fails to examine the	←	Provides a really useful framework to address most of the recent changes in capitalist world economy, Looking into the asymmetrical distribution of power capabilities among participants of value chains, it

late capitalist development in relation to globalization of trade and production.		offers precious insights to assess the extent to which the benefits of globalization are distributed to the regions, countries and firms across the world.
Lets us do industry analysis in a conventional sense but the matter of value chain governance and economic upgrading has not been theorized in a well-structured way.	←	Provides a relatively well-structured conceptual framework to study diverse patterns of governance in global value chains and their respective roles in determining prospects and limitations for economic and industrial upgrading.

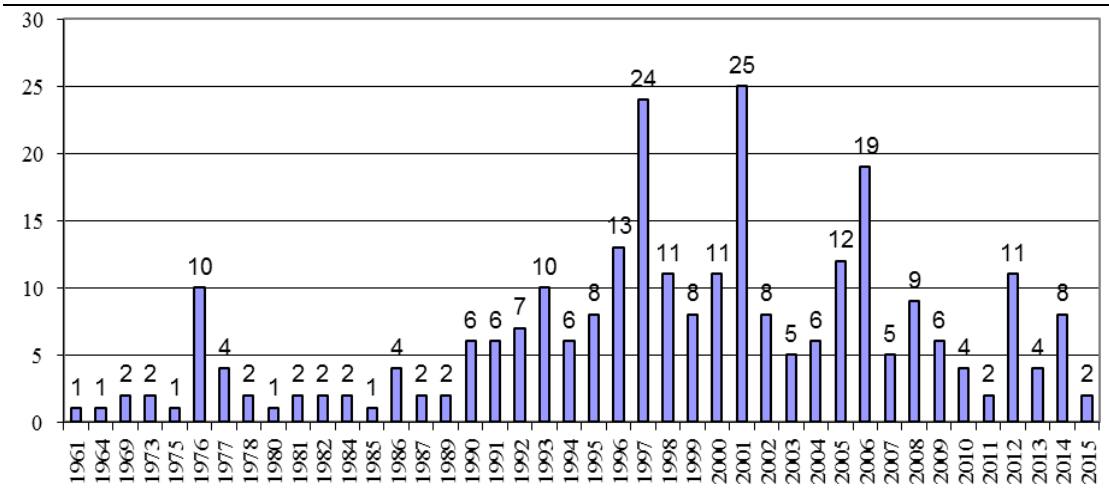
Source: Derived by the author based on his implications from the literature.

Appendix 11: Classification of 58 Developing Countries According to per capita Inflows of Non extractive Foreign Direct Investment (1966-1970)

Group 1 (Slightly attractive)		Group 2 (Moderately Attractive)	Group 3 (Highly Attractive)
Chad	Uruguay	Ghana	Gabon
Zahire	Burma	Ivory Coast	Costa Rica
Ethiopia	Ceylon	Kenya	Jamaica
Morroco	India	Libya	Mexico
Niger	Indonesia	Malawi	Nicaragua
Somalia	Iran	Nigeria	Panama
Sudan	S.Korea	Brazil	Venezuela
Tanzania	Pakistan	Colombia	Singapore
Tunusia	Philippines	El Salvador	Isreal
Uganda	South Vietnam	Guatemala	Lebanon
Egypt	Iraq	Honduras	Greece
Zambia	Jordan	Paraguay	Spain
Argentina	Syria	Taiwan	
Bolivia	Turkey	Malasia	
Chile		Thailand	
Peru		Portugal	

Source: Classified by Root and Ahmed (1979, p.752) according to the average annual per capita inflow of non-extractive direct investment over the period 1966-70.

Appendix 12: The Foundation of Organized Industrial Districts in Turkey between the years 1961 and 2015



Source: Derived and Calculated by the Author based on the data at OSB (2015) website. https://osbbs.sanayi.gov.tr/

Note: As of May, 2015 there are 281 OSBs all over Turkey. However, due to the lack of information six of them can not included into the calculation.

Appendix 13: The Geographical Distribution of Organised Industrial Districts in Turkey (May, 2015)

Source: Mapped by the Author based on the data at OSB (14 May, 2015) website**.** https://osbbs.sanayi.gov.tr/

Appendix 14: Members and Organizational Structure of the Coordination Council for the Improvement of Investment Environment (2015)[1]

The Members of YOİKK	
Respective State Institutions	**Capital Groups**
State Minister in Charge of Economy (Chairman)	Chairman of the TÜSIAD

Undersecretary of Ministry of Justice	Chairman of the YASED
Undersecretary of Ministry of Science, Industry and Technology	Chairman of the TOBB
Undersecretary of Ministry of Environment and Urbanisation	Chairman of the TIM
Undersecretary of Ministry of Economy	Chairman of the MÜSİAD[2]
Undersecretary of Ministry of Energy and Natural Resources	
Undersecretary of Ministry of Customs and Trade	
Undersecretary of Ministry of Development	
Undersecretary of Ministry Ministry of Finance	
Undersecretary of the Treasury	
Head of Investment Support and Promotion Agency	
Chairmen of Technical Commitees	

[1] YOİKK's membership and institutional configuration has been changed several times since the establishment in 2001. For more info please visit http://www.yoikk.gov.tr/detay.cfm?MID=1

[2] MÜSİAD was lately incorporated into the YOİKK's membership structure in 2014.

The Members of Steering Committee[1]	
Undersecretary of the Treasury	Secretary General of TÜSIAD
Deputy Undersecretary of the Prime Ministry	Secretary General of YASED
Deputy Undersecretary of the SPO	Secretary General of TOBB
Deputy Undersecretary of the Ministry of Finance	Secretary General of YASED
Deputy Undersecretary of the Ministry of Industry and Commerce	Secretary General of MÜSİAD[2]
Deputy Undersecretary of Foreign Trade	

[1] The Steering Committee was founded in 2005 with the aim of coordinating and monitoring the works of the Technical Committees and maintaining coordination between them and YOİKK.

[2] As it was in the membership structure of YOİKK, MÜSİAD was incorporated as a member of the Steering Commitee in the recent past.

The List of Technical Commiteees[1]
Technical Committee I: Company Transactions and Corporate Governance
Technical Committee II: Employment
Technical Committee III: Input Supply Strategy (GITES) and Sectoral Licences
Technical Committee IV: Investment Location, Environment and Zoning Permits
Technical Committee V: Taxes and Incentives
Technical Committee VI: Foreign Trade and Customs
Technical Committee VII: Intellectual Property Rights and R&D
Technical Committee VIII: Legislation on Investment Climate and Legislative Procedures
Technical Committee IX: Access to Finance
Technical Committee X: Infrastructure

[1] Capital groups have representatives in each Technical Committee chaired by high level of bureaucrats. It is worth noting that under certain conditions and with respec to specific issues related to their area of interest, the technical commitees also work in coordination with IRAs in Turkey.

Source: Tabulated by the author based on data derived from YOİKK's website (30 July 2015) http://www.yoikk.gov.tr

Appendix 15: The First Meeting of the Investment Advisory Council in 2004 (The List of Members and Participants)

	State Protocol				
	Name	**Status**			
1	Recep Tayyip Erdogan	Prime Minister			
2	Ali Babacan	State Minister			
3	Kemal Unakıtan	Minister of Finance			
	International Organisations		**The Name of the Organisation**		
1	James Wolfensohn	President	The World Bank		
2	Michael Deppler	The IMF's Europe Director	The IMF		
	Multinational Corporations *(In Alphabetical Order)*		**The Name of the Firm**	**Country**	**Sector**
1	Paul Matthys	Vice President	Arcelor	France	Metal/Steel Industry
2	Jacques de Larosiére	Counsellor of Board Chairman (the Former President of the IMF, 1978-1987)	BNP Paribas	France	Finance
3	Michael Klein	CEO	Citigroup Inc.	USA	Finance
4	Giuseppe Morchio	CEO	Fiat S.p.A.	Italy	Automotive Industry
5	Lewis Booth	President	Ford Motor Company, Europe	USA	Automotive Industry
6	Kwang-Heum Um	President and CEO	Hyundai Motor Company, Europe	S. Korea	Automotive Industry
7	Stef Wertheimer	Chairman of the Board	ISCAR	Israel	Metal Industry
8	Bertrand Collomb	Chairman of the Board and CEO	Lafarge	France	Cement, Concrete and Construction Industry
9	Dott. Andrea Guerra	CEO	Merloni Elettrodomestici SpA	Italy	Electrical-electronics Industry
10	Dr. Hans-Joachim Korber	CEO	Metro AG	Germany	Retailing
11	Michael W.O. Garrett	Vice President	Nestlé	Switzerland	Food Industry
12	Pierre Lassonde	President	Newmont Mining Corp	USA	Mining Industry
13	Masood Tariq	Member of Board and President of	Nortel Networks Corp.	Canada	Telecommunication

		Global Partnerships			
14	Pieter van Kesteren	The Chairman of the Board	Nunza B.V.	Netherland	Food and Agricultural Industry
15	Dott.Marco Tronchetti Provera	President	Pirelli SpA	Italy	Tyre and Cord Industry
16	Leigh Clifford	CEO	Rio Tinto Plc	UK	Mining Industry
17	Johannes Feldmayer	Member of Board	Siemens AG	Germany	Electrical-electronics Industry
18	Dr. Shuhei Toyoda	President and CEO	Toyota Motor Corporation, Avrupa	Japan	Automotive Industry
19	Rachid Rachid	President	Unilever N.V.,	Netherland	Food Industry
The Representatives of Business Associations in Turkey					
1	Rıfat Hisarcıklıoğlu	Chairman	The Union of Chambers and Commodity Exchanges of Turkey (TOBB)		
2	Ömer Sabancı	Chairman	Turkish Industry & Business Association (TÜSİAD)		
3	Oğuz Satıcı	Chairman	Turkish Exporters Assembly (TİM)		
4	Şaban Erdikler	Chairman	International Investors Association (YASED)		

Source: Tabulated by the author based on data derived from YOİKK's website (31 July 2015) http://www.yoikk.gov.tr/detay.cfm?MID=39

Appendix 16: Turkey`s Economic Performance in the Post-2001 Period

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP (US$ billion, current prices)	232.7	304.6	393	484	529.9	655.9	742.1	617.6	735.8	772.3	788.6	819.9	813.3
GDP per capita (US$, current prices)	3403	4393	5595	6801	7351	8984	10745	8559	10067	10469	10530	10721	10518
Real GDP growth (%)	6.2	5.3	9.4	8.4	6.9	4.6	0.7	-4.7	9	8.5	2.1	4.2	2.9
Investment (% of GDP)	17.1	17.4	20.7	21.4	22.6	21.8	20.2	17.2	18.9	23.8	20.1	20.5	19.8
Savings (% of GDP)	18.3	15.1	15.6	15.7	16.2	15.8	6.8	13.1	12.6	13.8	13.9	12.6	14.02
FDI (US$ billions)	1.49	1.69	2.78	10.03	20.18	22.04	19.50	8.41	9.03	15.90	13.2	12.4	12.5
Inflation Rate	29.7	18.4	9.3	7.7	9.7	8.4	10.1	6.5	6.4	10.5	8.8	7.4	9.0
Unemployment (%)	10.3	10.5	10.3	10.3	9.9	9.9	11	14	11.9	9.8	8.4	9.0	9.4

Source: Calculated by the Author based on the data derived from Turkstat (2015) and IMF (2015)

Appendix 17: ISIC REV. 3 International Standard Industrial Classification of Economic Activities

High-technology industries	Medium-high-technology industries
• Aircraft and spacecraft • Pharmaceuticals • Office, accounting and computing machinery • Radio, TV and communications equipment • Medical, precision and optical instruments	• Electrical machinery and apparatus, n.e.c • Motor vehicles, trailers and semi-trailers • Chemicals excluding pharmaceuticals • Railroad equipment and transport equipment, n.e.c. • Machinery and equipment, n.e.c
Medium-low-technology industries	**Low-technology industries**
• Building and repairing of ships and boats • Rubber and plastics products • Coke, refined petroleum products and nuclear fuel • Other non-metallic mineral products • Basic metals and fabricated metal product	• Manufacturing, n.e.c.; Recycling • Wood, pulp, paper, paper products, printing and publishing • Food products, beverages and tobacco • Textiles, textile products, leather and footwear

Source: OECD Directorate for Science, Technology and Industry Economic Analysis and Statistics Division (17 March, 2015).
http://www.oecd.org/sti/industryandglobalisation/48350231.pdf

Appendix 18: Number of Foreign Companies According to Types of Establishment and FDI Inflows, 1954-2012 (million $)

Year	New	Partnership	Branch	Total	FDI Inflow (million$)
1954-1999 (Cumulative)	3.357	550	143	4.050	9.337
2000	305	115	17	437	982
2001	320	114	28	462	3.266
2002	354	113	22	489	1.491
2003	851	208	32	1.091	1.694
2004	1.515	460	64	2.039	2.785
2005	2.191	501	58	2.750	10.031
2006	2.571	653	64	3.288	20.185
2007	2.991	651	60	3.702	22.047
Grand Total	14.455	3.365	488	18.308	-----
The Number of Foreign Companies According to Types of Establishment and FDI Inflows, 1954-2012 (million $)					
1954-2007	12.632	3.031	436	16.099	-----
2008	2.356	605	61	3.022	19.504

2009	2.189	549	65	2.803	8.411
2010	2.665	527	81	3.273	9.038
2011	3.628	628	91	4.347	15.904
2012	3.529	286	80	3.895	13.200
Grand Total	26.999	5.626	814	33.439	137.875

Source: As the number of foreign-owned companies is revised due to the factors such as closing down of companies or passing into hands of domestic capital, there is not a uniform data of the types of foreign-owned companies between the years 1954 and 2012. Therefore, the first part of the table is taken from 2008 FDI report of the Undersecretariat of Treasury (Turkey), and the second part is derived from 2012 FDI report of the Ministry of Economy. The data on FDI inflows is drawn from the Central Bank of Turkey.

Appendix 19: Collective Bargaining Coverage, Actual Unionization Rates, Strikes and Strike Severity Rates in Turkey (1990-2010)

Year	Total Number of Workers (thousand)	Collective Bargaining Coverage (thousand) (*)	Actual Trade Union Density %	Number of Workers Involved in Strikes	Days off from work in strike (thousand)	Strike severity rate (**)
1990	7.224	1.433	19,8	166.306	3.466	479.7
1995	8.551	1.257	14,7	199.867	4.838	565.7
2000	10.485	1.049	10,0	18.705	368	35.1
2005	11.436	899	7,8	3.529	176	15.3
2010	13.762	786	5.7	808	37	2.6

(*) The four-year average of workers covered by collective bargaining schemes
(**) Number of days in strike per thousand employees.
Source: Data on collective barganing coverage and unionization rate is adobted from Celik (2013, p.44). The rest of the data is calculated by the author based on the data of The Ministry of Labour and Social Security (2015), Turkey. Available at :
http://www.csgb.gov.tr/csgbPortal/ShowProperty/WLP%20Repository/csgb/istatistikler/1984_2012_grev

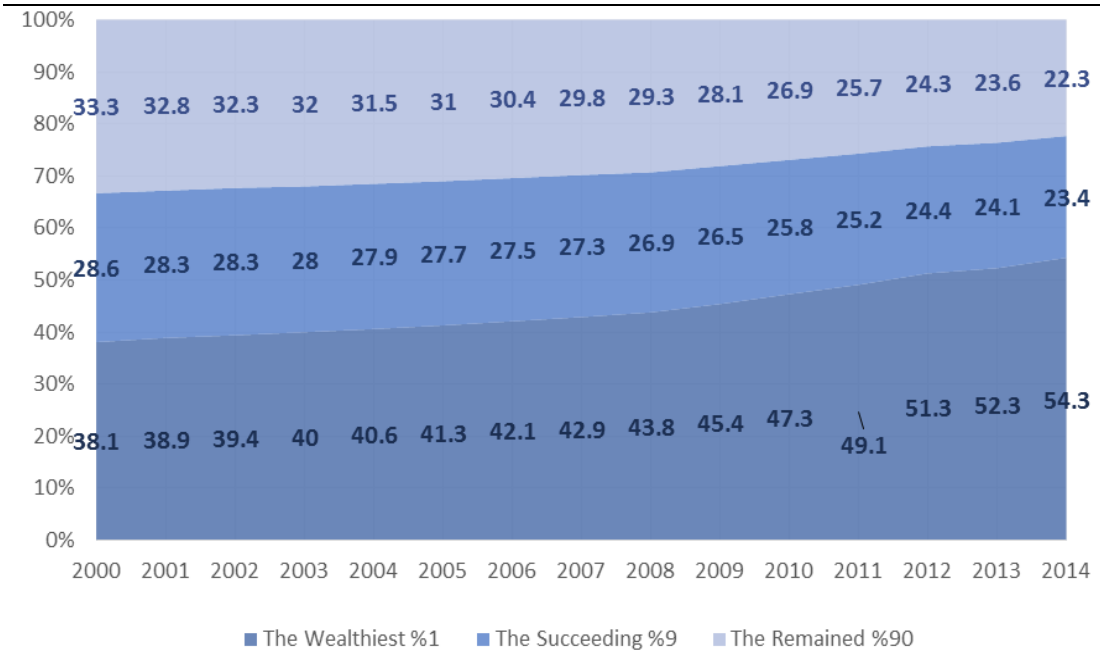
Appendix 20: Trade Union Density in Selected OECD Countries, 2002-2011 (%)

Country	2000	2012	% Variation
Turkey	9.94	4.54	-54.31
Hungary	21.66	10.55	-51.29
United States	12.91	11.08	-14.18
Poland	17.20	12.52	-27.23
Mexico	15.61	13.62	-12.79
Chile	13.29	15.32	15.29
Spain	16.57	17.47	5.48
Netherlands	22.93	17.69	-22.84
Germany	24.57	17.87	-27.27
Japan	21.54	17.97	-16.58
Portugal	21.65	20.54	-5.13
Greece	26.51	21.26	-19.79
United Kingdom	30.18	25.84	-14.39
Canada	28.20	27.46	-2.62

Italy	34.80	36.28	4.24
Belgium	56.18	55.02	-2.07
Denmark	73.93	67.20	-9.09
Sweden	79.08	67.51	-14.64
Finland	74.97	68.63	-8.45
OECD countries	20.24	17.10	-15.51

Source: Data extracted from OECD.stat. (2015) Available at: https://stats.oecd.org/Index.aspx?DataSetCode=UN_DEN

Appendix 21:Wealth Shares of the Top Percentile, the Succeeding %9 and the Remained %90 in Turkey between 2000 and 2014



Source: Data extracted from Credit Suisse Global Wealth Databook (2014) Available at: https://publications.credit-suisse.com/tasks/render/file/?fileID=5521F296-D460-2B88-081889DB12817E02

Appendix 22: Number of Assembly Contracts by Country of Origin, 1969

Country of Origin	Number	Countries
United States (Including Subsidiaries)	133	43
France	77	39
West Germany	56	26
United Kingdom	48	34
Italy	30	27
Japan	59	28

Source: UNIDO (1972), The Motor Vehicle Industry, ID/78, p.8.

Note: Between the years 1960-1969 alone, the number of countries with assembly contracts increased from 42 to 70.

Appendix 23: Number of Assembly Contracts by Major Automakers, 1968				
Automakers	**Total Number**	**Caribbean and Latin American**	**Asia**	**Africa**
General Motors	24	9	6	2
Ford	32	8	8	4
Chrysler	31	10	9	2
Volkswagen	16	5	3	-
Fiat	28	5	5	5
Source: UNIDO (1972), The Motor Vehicle Industry, ID/78, p.8				

Appendix 24: Automotive Assembly Firms in Turkey by the late 1950s				
Firms	**Foreign Automaker Involved**	**Year of Foundation**	**Production Capacity**	**Foreign Involvement and Capital Ratio**
Willys & Verdi	Willys-Kaiser	1954	5800 Trucks and vans; 7500 Jeeps; 1000 buses	25% equity Licencing
Federal Kamyon (later TOE)	Federal Trucks (later IH)	1955	400 Trucks (3000 Trucks)	10% equity Licencing
Nobel 200	Fuldamobil	1958	---	Licencing
Otosan	Ford	1959	2000 trucks; 400 minibus; 500 autobuses	Licencing
Ciftciler (Farmers)	Volkswagen	1959	1800 small trucks	Licencing, Permit canceled
Source: Tabulated by the author based on data derived from Ansal (1988, p.83) and Aksoy (1990, p.46).				

Appendix 25: Local Content Requirements in the Turkish Automotive Sector (1964-1970)			
Years	**Buses**	**Trucks and Vans**	**Cars**
1964	30	20	--
1967	65	45	--
1968	70	50	--
1969	70	50	65
1970	75	55	65
Source: Official Gazette, 14/04/1964			

Appendix 26: Auto Firms Established in Turkey by the Late 1960s

Firms	Foreign Automaker Involved	Year of Foundation	Production Capacity	Foreign Involvement and Capital Ratio
Otobus Karoseri	Magirus-Detuz	1963	320 buses	Licensing
Genoto	Bedford	1963	3000 trucks	Licensing
Chrysler	Chrysler	1964	6000 trucks and vans	60% equity Licensing
BMC	British Leyland	1964	8000 trucks and vans	26% equity Licensing
Celik Motaj (Anadolu Otomotiv)	Skoda	1965	2000 vans	Licensing
MAN	Man	1966	600 trucks 150 buses	33.3% equity Licensing
Karsan	--	1966	250 bus karose	--
Otoyol	Fiat	1966	800 buses 800 trucks	Licensing
Unver Tic.	Magirus-Deutz	1966	650 minibus 300 small trucks	Permit canceled
Transit AS	Ford	1966	500 trucks	Licensing
Otomarsan	MercedesBenz	1967	450 buses	36% equity Licensing

Source: Tabulated by the author based on data derived from Ansal (1988, p.95) and Aksoy (1990, p.46-49).

Appendix 27: Passenger Car Firms Established in Turkey by the Late 1960s

Firms	Foreign Automaker Involved	Year of Foundation	Production Capacity	Foreign Involvement and Capital Ratio
Otosan-Anadol	Reliant Company of England and Ford	Founded in 1959 as commercial vehicle producer-Anadol project was started in 1966	10000	100% Local (Koc Group) Later 30% Ford equity Ford Licensing
TOFAŞ	Fiat	1968	20000	41.5% equity share of Italian FIAT 25% of MKE (Mechanical and Chemical industry Corporation)

				22.5% of Koc Group 10% of Turkish Business Bank 1% of Aegean Petrol Fiat Licensing
Oyak-Renault	Renault	1969	20000	44% equity share of Renault 43% of OYAK (Army Mutual Assistance Association) 13% of Yapi Kredi Bank Renault Licensing

Source: Tabulated by the author based on data derived from Nahum (1988) and Aksoy (1990) and Azcanli (1995).

Appendix 28: Local Content Requirements for Commercial Vehicles in Turkey (1971-1978)

Years	**1971**	**1972**	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**
Local Content (%)	55	57.5	57.5	60	60	60	65	70

Source: Ansal (1988, p.99)

Appendix 29: Commercial Vehicle Production in Turkey, 1963-1978 (Units)

Year	**Anadolu (Isuzu)**	**Aksam**	**BMC**	**Genoto General**	**MAN**	**Otokar**	**Otomarsan**	**OTOSAN**	**Otoyol**	**TOE**	**Total**
1963	-	-	-	-	-	12	-	1687	-	1401	3100
1964	-	321	-	-	-	56	-	1433	-	2273	4083
1965	-	862	-	120	-	122	-	1769	-	1098	3971
1966	932	3229	463	804	-	426	-	1312	-	1994	9160
1967	1834	2261	1982	1224	212	332	-	1896	193	1565	11499
1968	1874	2407	2876	981	421	249	73	2591	207	1197	12876
1969	1968	2627	3635	1383	528	373	211	2756	412	1850	15743
1970	2279	2006	2301	1080	394	308	254	2374	255	982	12293
1971	916	2676	2343	444	449	137	322	2944	100	1328	11659
1972	2100	2792	4835	1236	922	150	531	5149	270	1200	19185
1973	2385	4392	5780	1070	1214	234	790	7654	317	2115	25951
1974	2533	5248	5418	2111	1112	438	917	8565	359	377	27078
1975	2811	7869	6825	2088	1242	522	1046	13443	1203	2268	39317
1976	3409	8247	7551	3492	1331	405	1103	16286	2142	2197	46163
1977	655	6597	6772	3828	841	523	1090	16087	2783	1335	40511
1978	1171	1499	4163	1644	1434	629	667	10919	1796	3006	26928

Source: Tabulated by the author deriving on the requested data from OSD

Appendix 30: Number of Assembly Firms in Latin American Auto Industry (early 1970s)

Country	Number of Car Firms	Number of Commercial Vehicle Firms
Brazil	6	9
Mexico	7	8
Argentina	7	10
Chile	10	2
Peru	9	7
Venezuela	8	13
Colombia	3	2

Source: Jenkins (1984, p.59)

Appendix 31: Foreign Firms' Share of Vehicle Production in Latin American, 1978

Countries	Majority Foreign Owned	Minority Foreign Owned	Nationally Owned
Argentina	95.4	-	4.6
Brazil	99.7	-	0.3
Chile	85.7	14.3	-
Colombia	45.0	55.0	-
Mexico	86.0	9.9	4.1
Peru	75.0	25.0	-
Venezuela	77.9	22.1	-
Uruguay	41.8	-	58.2

Source: UNCTC (1982) cited in Jenkins (1984, p.55)

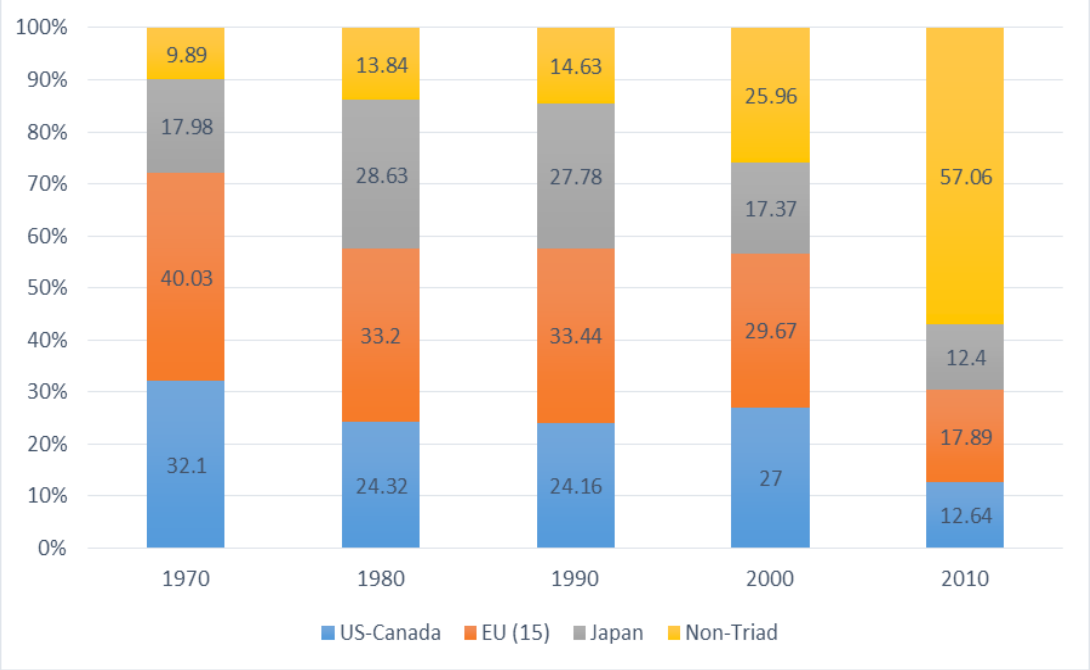
Appendix 32: Restructuring in the European, the US and Japanese Car Industry (Number of Transnational Auto Firms)

1970	1980	1990	2003
Abarth	Alfa Romeo AMC	BMW	BMW
Alfa Romeo	Aston-Martin	Chrysler	Daewoo Daimler
Alpine	BL	Daewoo	Chrysler
AMC	BMW	Daimler-Benz	Fiat
Aston-Martin	Chrysler Daimler-	Fiat	Ford
BLMC	Benz	Ford	GM
BMW	de Tomaso	Fuji H.I.	Honda
Chrysler	Fiat	GM	Hyundai
Citroen	Ford Fuji	Honda	PSA
Daimler-Benz	H.I.	Hyundai	Porsche
de Tomaso	GM	Isuzu	Renault
Fiat	Honda	Mitsubishi	Nissan
Ford	Isuzu Lamborghini	Nissan	Rover
Fuji H.I.	Lotus	PSA	Toyota
GM	Mazda Mitsubishi	Porsche	VW
Honda	Nissan	Renault	

Innocenti	PSA	Rolls-Royce
Isuzu	Porsche	Rover
Lamborghini	Renault	Suzuki
Lotus	Rolls-Royce Saab	Toyota
Maserati	Seat	Volvo
Mazda	Suzuki	VW
Mitsubishi	Talbot / Matra Toyota	
Nissan	Volvo	
Peugeot	VW	
Porsche		
Prince		
Renault		
Rolls-Royce		
Saab		
Seat		
Simca / Chrysler		
Suzuki		
Toyota		
Volvo		
VW		

Source: European Commission (2004)

Appendix 33: Shares of the US/Canada, the EU (15), Japan and non-Triad Countries in World Motor Vehicle Production (Selected Years)



Source: Calculated by the author relying on the data derived from OICA (2016).

Appendix 34: Exports in the Turkish Motor Vehicle Industry during 1980s (Units)

Year	Passenger Car	Bus, Minibus and Midibus,	Truck and Pick-up	Tractor	Total
1980	4515	392	296	95	5298
1981	5959	965	398	324	7646
1982	3967	631	802	3333	8733
1983	3343	324	1136	7361	12164
1984	3886	145	692	7339	12962
1985	3760	676	530	7032	11998
1986	4997	909	1196	481	7583
1987	4987	476	582	58	6103
1988	7390	489	619	517	9015
1989	8220	309	1218	300	10047

Source: Tabulated by the Author relying on the data requested from OSD

Appendix 35: Imports and Exports in the Turkish Automotive Sector during 1990s

Years	Production Units in Turkish Auto Industry	Export			Import		
		Motor Vehicles	Components	Total	Motor Vehicles	Component	Total
1990	239.015	-	-	-	-	-	-
1991	262.802	-	-	-	-	-	-
1992	344.482	126.674	442.909	569.583	536.147	2.068.749	2.604.896
1993	453.465	154.621	404.063	558.684	1.045.825	2.305.496	3.351.321
1994	268.343	201.029	593.579	794.608	308.585	1.015.400	1.323.985
1995	326.508	432.522	813.523	1.246.045	470.835	2.674.822	3.145.657
1996	329.337	485.442	886.377	1.371.819	1.433.069	2.927.970	4.361.039
1997	399.917	330.654	919.065	1.249.719	2.406.205	3.881.296	6.287.501
1998	405.002	354.175	1.320.988	1.675.163	2.104.750	4.544.528	6.649.278
1999	325.297	881.985	1.116.499	1.998.484	1.732.033	3.260.712	4.992.745
2000	468.381	1.015.705	2.259.169	3.274.874	3.442.076	4.833.854	8.275.930

Source: Tabulated by the author relying on the data from OSD (2014, p.5) and OSD (2015a, p.8).

Appendix 36: Motor Vehicle Production in Turkey (2000-2015)

Years	P.Car	Truck	Pick-Up	Bus	Minibus	Midibus	F.Tractor	Total
2000	297.476	28.348	68.807	4.213	20.597	11.506	37.434	468.381
2001	175.343	6.683	76.672	2.501	6.486	3.000	15.052	285.737
2002	204.198	12.295	116.872	2.684	6.139	4.377	10.840	357.405
2003	294.116	19.041	195.606	4.490	13.625	6.794	29.778	563.450
2004	447.152	31.790	301.563	4.839	28.161	9.903	40.665	864.073
2005	453.663	37.227	349.885	5.406	26.162	7.109	36.527	915.979
2006	545.682	37.026	369.862	6.019	20.728	8.263	38.841	1.026.421
2007	634.883	34.544	391.737	6.946	21.999	9.305	33.518	1.132.932
2008	621.567	36.800	449.434	7.526	21.123	10.660	24.807	1.171.917
2009	510.931	8.246	330.044	5.931	11.829	2.624	14.861	884.466
2010	603.394	23.851	442.408	5.268	16.978	2.658	30.425	1.124.982
2011	639.734	37.396	479.110	6.907	22.475	3.509	45.506	1.234.637

2012	577.296	29.129	426.633	6.427	29.335	4.158	42.255	1.115.233
2013	633.604	30.082	410.556	8.345	37.750	5.197	40.509	1.166.043
2014	733.439	29.909	359.911	6.442	35.420	5.324	48.403	1.218.848
2015	791.027	35.808	468.922	8.789	47.078	7.131	51.238	1.410.034

Source: Tabulated by the author relying on the data from OSD (2015a, p.8) and OSD (2015b, p.3)

Appendix 37: Foreign Trade in the Turkish Motor Vehicle Industry (2000-2015)

Years	Export			Import		
	Motor Vehicles	Components	Total	Motor Vehicles	Components	Total
2000	1.015.705.000	2.259.169.483	3.274.874.483	3.442.076.000	4.833.854.780	8.275.930.780
2001	1.652.057.000	1.823.033.251	3.475.090.251	768.192.000	1.805.596.825	2.573.788.825
2002	2.191.614.000	2.127.684.558	4.319.298.558	1.153.186.000	2.755.034.371	3.908.220.371
2003	4.007.045.000	2.088.174.893	6.095.219.893	3.441.543.000	3.903.865.458	7.345.408.458
2004	6.874.841.000	3.031.394.689	9.906.235.689	6.711.175.000	6.567.023.489	13.278.198.489
2005	7.773.473.000	3.625.374.618	11.398.847.618	6.581.074.000	7.365.586.978	13.946.660.978
2006	9.725.327.260	4.284.005.676	14.009.332.936	6.391.651.410	7.943.393.847	14.335.045.257
2007	12.754.287.428	5.832.804.841	18.587.092.269	6.749.413.038	9.481.338.650	16.230.751.688
2008	14.655.928.129	6.394.033.055	21.049.961.184	6.695.908.991	10.239.184.662	16.935.093.653
2009	9.670.983.396	4.614.978.487	14.285.961.883	5.058.875.833	7.405.538.598	12.464.414.431
2010	9.908.568.789	5.862.261.198	15.770.829.987	8.410.687.799	6.608.004.162	15.018.691.961
2011	11.576.173.750	11.570.213.594	23.146.387.344	11.135.621.716	16.142.270.946	27.277.892.662
2012	10.470.626.908	12.468.523.808	22.939.150.716	9.280.925.851	16.260.298.518	25.541.224.369
2013	11.997.970.357	10.370.754.809	22.368.725.166	11.032.563.636	12.904.641.733	23.937.205.369
2014	13.259.499.977	9.504.013.791	22.763.513.769			
2015	12.975.346.180	8.643.538.318	21.618.884.498			

Source: Tabulated by author relying on the data from OSD (2014, p.5) and OSD (2015c, p.5).

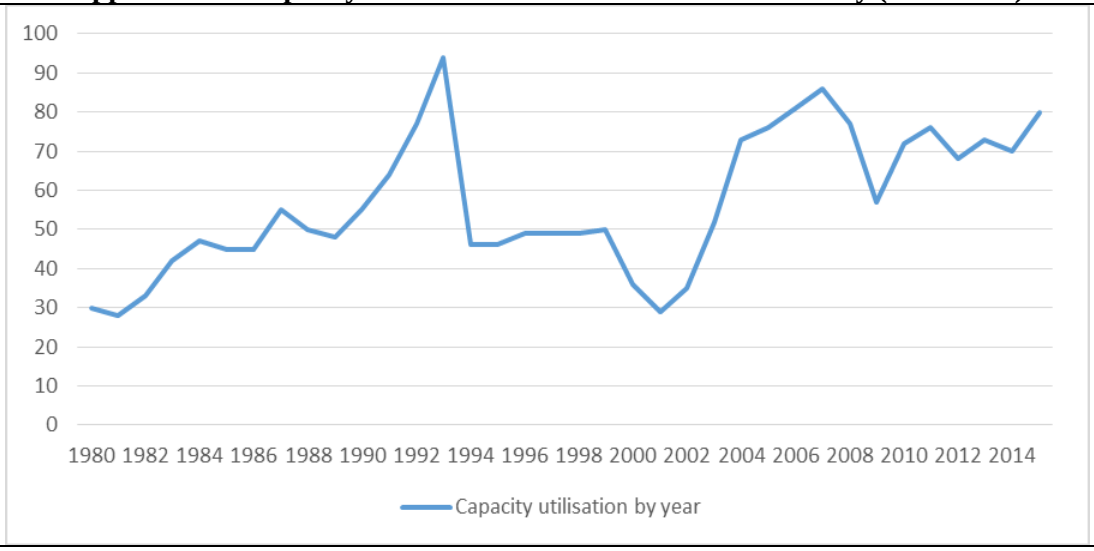
Appendix 38: Industry Structure in the Korean Motor Vehicle Sector (From Early 1980s to Late 1990s)

Firm	Foreign Automaker Involved	Year of Foundation	Total Production (Units)	Foreign Involvement and Capital Ratio
Hyundai	Overall, 57 technological licensing from 9 different Countries and 31 different firms	1967	1.341.990	Mitsubishi 15%
Daewoo	Overall, 36 technological licensing from 5 different Countries and 8 different firms	1965 (as Shinjin)	627.815	GM 50% (from 1972 to 1992), Suzuki, Honda
Kia	Overall, 15 technological licensing from 4 different Countries and 13 different firms	1944	756.753	Ford 9.4%; C. Itoh 2% Mazda 7.5%
Ssangyong	---	1954	76.940	Daimler-

	(as Dong A)	Benz 5%

Source: Tabulated by the author based on data derived from (Lautier, 2004, p.221) and Hyun (1987, p.45).

Appendix 39: Capacity Utilisation in the Turkish Auto Industry (1980-2015)



Source: Karabulut (2002, p.98) and OSD (2016) Statistics

Appendix 40: The Auto Assembly Industry In Turkey, 2016

Firm	The Production Place	Starting Year of Production	Parent Licencing Company	Ownership Structure	Production Capacity
Anadolu Isuzu	Kocaeli	1966 (founded as Celik Motor) 1984 (establisment of Anadolu-Isuzu Parnerhip) 1986 (colloboration between Anadolu, Isuzu and Iltochu)	ISUZU	Anadolu Group (%53.57) Isuzu Motors (%16.99) Iltochu Corporation (%12.75) Public Shareholders (%16.32) Others (%0.37)	13155 Pickups. Trucks (%50.9), buses (%22), minibus (%7) and midibusses (%20.01)
Ford Otosan	Eskisehir Kocaeli	1959 (Foundation of Otosan Factory) 1977 (Formation of Ford Otosan Partnership) 1984 (Eskihehir Factory) 2001(Golcuk Factory)	FORD	Koç Holding (%41.07) Ford Motor Company (%41,04) Public Shareholders (17.89)	415000 P.Car (%7.2), Pickups (%80.9), truck (%3.7) and minibus (%8.2)
Güleryüz	Bursa	1967 (Coachwork Atelier) 1982 (First production)		Güleryüz Karoseri otomotiv A.Ş. (%100)	600 Bus (%100)
Hattat Tarım	Tekirdag	1998 (Established)	VALTRA, UNIVERSA	Hattat Holding (%100)	15000 Tractor

		2002 (Production and R&D in Local Tractor)	L, HATTAT		(%100)
Honda Türkiye	Kocaeli	1992 (Founded as a 50/50 JV between Anadolu Group and Honda Motor Co.) 2002 (became a %100 foreing-owned subridiary of Honda Motor Co.)	HONDA MOTOR CO.	Honda Motor Co, (%100)	50000 P.Car (%100)
Hyundai Assan	Kocaeli	1997	HYUNDAI MOTOR CO.	Hyundai Motor Co (%70) Kibar Holding (%30)	245000 P.Car (%100)
Karsan	Bursa	1966	HYUNDAI MOTOR CO. BREDA MENARINI BUS	Kıraça Holding (%63.46) Publıc Shareholders (%36.54)	52225 Pickup (%77.5), Bus (%3.8), Minibus (%13.4), Midibus (%5.1)
Man Türkiye	Ankara	1966	MAN TRUCK & BUS AG	Man Trucks and Bus (%99.9)	1700 Bus (%100)
Mercedes Benz Türk	Istanbul Aksaray	1968 (Istanbul Factory-Buses) 1985 (Aksaray Factory-Trucks)	MERCEDES BENZ	Daimler-Chrysler AG (%66.91), Overseas Landing Co. (%18.09), Koluman Holding (%7.04), Turkish Armed Forces Foundation (%5), The Machinery and Chemical Industry (%2.96)	21500 Truck (%81.3), Bus (%18.7)
Otokar	Sakarya	1963	LAND ROVER FRUEHAUF	Koç Holding (%45) Ünver Holding (%25) Public Shareholders (%30)	10300 Pickups (%51.4), Bus (%9.7), Minibus (%14.6), Midibus (%24.3)
OYAK-Renault	Bursa	1971	RENAULT	Renault (%51) Oyak (%49)	360000 P.Car (%100)
Temsa Global	Adana	1987	MITSUBISHI TEMSA	Sabancı Holding (%100)	11500 Truck (%65.2) Bus (%17.4) Midibus (%17.4)
TOFAŞ	Bursa	1971	FIAT	Koç Holding (%37.8) Fiat (%37.8) Public Shareholders (24.2)	400000 P.Car (%100)
Toyota	Sakarya	1994 (Founded as Joint Venture	TOYOTA MOTOR	Toyota Motor Co. (%100)	150000 P.Car

		Between Sabanci Holding and Toyota Motor Co.) 2001 (The plant became %100 foreing owned)	CO.		(%100)
Türk Traktör	Ankara Sakarya	1954		Koç Holding (%37.50) CNH Industrial (%37.50) Public Shareholders (%24.93) Other (% 0.07)	50.000 Tractor (%100)

Source: Tabulated by the author relying on OSD (2016) and Interviews (2016).